THE FARM RELIEF PROBLEM--1929

CONGRESSIONAL DIGEST

WASHINGTON D.C.

MAY, 1929

President Hoover on Farm Relief

The U. S. Government and the Farmer

Debenture Plan Explained

Articles by

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Pro and Con

Should the Debenture Plan be Adopted?

Regular Departments

FIVE DOLLARS A YEAR FIFTY CENTS A COPY

The Congressional Digest

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ALICE GRAM ROBINSON, NORBORNE T. N. ROBINSON, *Editors and Publishers*
Editorial Offices, Munsey Building, Washington, D. C.

Published Every Month, except for July and August. Current Subscription Rates: $5.00 a Year, Postpaid in U. S.; in Canada $5.25; Foreign Rates $5.50; Current Numbers 50c a copy; Back Numbers 75c a copy; Volumes III, IV and V, Bound, $7.50 each; Unbound, $6.00. Address all Orders and Correspondence to:

THE CONGRESSIONAL DIGEST, Munsey Building, Washington, D. C.

Entered as Second-Class Matter September 26th, 1921, at the Post Office at Washington, D. C., Under the Act of March 3, 1879
Additional entry as Second-Class Matter at the Post Office at Baltimore, Maryland, under the Act of March 3, 1879; authorized August 22, 1927

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The Congressional Digest

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LEGISLATIVE DEPARTMENT

THE PRO AND CON FEATURE ACTION BY HOUSE AND SENATE LEGISLATIVE NEWS ITEMS

THE PRO AND CON FEATURE

The Farm Relief Problem—1929

Foreword

FOR nine years, or since the financial deflation period immediately following the ending of the World War, Congress has been confronted with the problem of farm relief.

Various measures have been passed for the relief of the farmer, but none has proven comprehensively satisfactory to those who have felt that the economic situation of the country had reached a stage of development where the farmer was confronted with the increased cost of everything he bought without a corresponding increase, to him, in the sales price of the things he produced.

There has been and still is a wide difference of opinion among public officials, including members of both branches of Congress, and leaders of farm organizations as to the exact causes of the agricultural depression and as to effective remedies, but opinion is practically unanimous that American agriculture has been in a bad plight since the summer of 1920.

Why Former Farm Bills Failed.

With that fact admitted on all sides, the differences as to the solution of the problem have been so great that major farm bills have been passed by Congress only to be vetoed by a President. When they were sent back to Congress with a veto message the requisite two-thirds majority necessary to pass them over the Presidential veto could never be mustered. So the legislation has failed of passage.

In the Presidential campaign of 1928 the farm problem was one of the major issues. Mr. Hoover, as the Republican candidate for the Presidency, approved the pledges for farm aid set forth in the platform of his party adopted at its

National Convention in Kansas City. During the course of the campaign he pledged himself, if elected, to call an extra session of Congress to deal with the farm problem. He carried out that pledge when, on March 7, he issued a proclamation calling Congress to meet on April 15.

The Republican Platform Pledges.

In its platform the Republican party pledged itself to the enactment of legislation creating a Federal Farm Board, with power to promote the establishment of a farm marketing system of farmer-owned and controlled stabilization corporations to control surpluses; adequate tariff protection to American agricultural products affected by foreign competition; the establishment of a Federal system of organization for cooperative marketing; the broadening of export markets by Government effort and to the development and enactment of measures "which will place the agricultural interests of America on a basis of economic equality with other industry to insure its prosperity and success."

This pledge involves not only the creation of a Farm Board with necessary powers to assist in setting up various organizations of farmers, but also involves tariff revision. Therefore, President Hoover, in his message to Congress on April 16, recommended action on both phases of the problem.

The New House Farm Board Bill.

When Congress met the House Committee on Agriculture, which had been holding hearings, was ready with its bill, which was introduced on the opening day and became H. R. 1. It was introduced by Representative Gilbert N. Haugen, Republican, of Iowa, Chairman of the Committee on Agriculture and co-author with Senator Charles L. McNary, Republican, of Oregon, of the several so-called McNary-Haugen farm relief measures which have been before Congress for several years. The bill was referred immediately to the Committee on Agriculture, which was organized on the opening day of the session. The following day, April 16, the bill was reported back from committee unchanged. There was no minority or opposing report. This bill is acceptable to President Hoover.

The Senate Committee Recommends Debentures.

In the meantime the Senate Committee on Agriculture and Forestry, of which Senator McNary is chairman, had also been holding hearings and had drawn up a bill, containing most of the salient features of the House bill, but differing from it in two or three important points, the most striking being that the Senate bill included what is known as the debenture provision and also provided for a Farm Board of twelve members instead of a Board of six, as provided for in the House bill.

The Senate Bill was introduced by Senator McNary on April 18, and became S. 1. It was referred to the Senate Committee on Agriculture and Forestry.

President Hoover Opposes Debentures.

On April 20 President Hoover wrote a letter to Senator McNary vigorously opposing the inclusion in any farm relief legislation of the debenture provision. The Senate Committee met in executive session on April 22 and, in spite of the President's letter, reported the bill as originally introduced, including the debenture provision. The vote, as announced, was 8 to 6 in favor of keeping the debenture plan in the bill. Senator McNary, as chairman of the committee, filed the report with the Senate on April 23.

Support for the Bill in the House was so strong that it was passed on April 25 by a vote of 367 to 34. This placed the controversy over farm legislation wholly in the Senate for the time being.

Present Status of the Problem.

Should the Senate amend the House bill, or pass the Senate bill as a substitute, the fight will be continued in the Conference Committee appointed to reconcile the differences between the two Houses.

In presenting the problem of farm relief legislation, THE DIGEST gives its readers the following brief chronology of Congressional action on farm legislation for the past few years; gives in full President Hoover's official statements concerning this question and other official statements on the status of agriculture; the provisions of the pending bills, together with pro and con discussion of their merits by those authorized to discuss them.

The tariff features of farm relief legislation will be presented in the June issue of THE DIGEST.—*The Editors.*

Chronology of Modern Farm Legislation

(Note: The following are in addition to the provisions made annually in the Agricultural Appropriation Act and Deficiency Acts for the routine activities of the Department of Agriculture.)

1921—May 27, the Emergency Tariff Act was approved: imposing temporary duties upon certain agricultural products to meet present emergencies and to provide revenue.

1921—August 15, the Packers and Stockyards Act, was approved: to regulate interstate and foreign commerce in livestock, livestock products, dairy products, poultry, poultry products and eggs.

1921—August 24, the Amendment to the War Finance Corporation Act was approved, to amend the War Finance Corporation Act, approved April 5, 1918: to provide relief for producers of and dealers in agricultural products.

1921—November 9, the Federal Highway Act was approved, to amend the Act entitled "An Act to provide that the United States shall aid the States in the construction of rural post roads, and for other purposes," approved July 11, 1916.

1922—February 18, the Capper-Volstead Act was approved: to authorize the formation of associations of producers of agricultural products.

1922—March 30, the Seed Grain Loan Act was approved, appropriating $1,500,000 for the purchase of seed grain to be supplied to farmers in the crop-failure areas of the United States.

1922—June 3, the Amendment to the Federal Reserve Act was approved, amending the Federal Reserve Act of December 23, 1918; providing, among other things, for agricultural representation on the Federal Reserve Board.

1922—September 21, the Grain Futures Act was approved: for the prevention and removal of obstructions and burdens upon interstate commerce in grain, by regulating transactions on grain future exchanges.

1923—February 23, the amendment to the U. S. Warehouse Act was approved, extending provisions of Warehouse Act to additional agricultural commodities.

1923—March 3, the Naval Stores Act was approved: establishing standard grades of naval stores, preventing deception in transactions in naval stores, regulating traffic therein, etc.

1923—March 4, the Agricultural Credits Act was approved: providing additional credit facilities for the agricultural and livestock industries of the United States.

1923—March 4, the Filled Milk Act was approved: prohibiting the shipment of filled milk in interstate or foreign commerce.

1923—March 4, the Butter Standard Act was approved: defining butter and provides a standard therefor.

1923—March 4, the Cotton Standards Act was approved: to establish and promote the use of the official cotton standards of the United States in interstate and foreign commerce; to prevent deception therein and provide for the proper application of such standards.

1924—February 20, the Amendment to the War Finance Corporation Act was approved: extending the life and power of the War Finance Corporation to make advances under the provisions of the War Finance Corporation Act.

1924—On April 16, the original, McNary-Haugen bill, S. 3091, 68th Congress, first session, introduced by Senator McNary, was reported to the Senate by the Committee on Agriculture and Forestry, but did not reach a vote.

1924—April 26, the Seed Grain Loan Act was approved: for the relief of the drought-stricken farm areas of New Mexico; authorizing appropriation of $1,000,000 for seed and feed purchases.

1924—May 29, the Dairy Bureau Act was approved: establishing a dairy bureau in the Department of Agriculture.

1924—On June 3 the House defeated H. R. 9033, 68th Congress, first session, a measure practically identical to S. 3091, which failed to reach a vote in the Senate (see above). These measures contained the "ratio price" provision.

1924—June 7—the Clarke-McNary Reforestation Act was approved: for the protection of forest lands, for the reforestation of denuded areas, for the extension of national forests, etc., in order to promote the continuous production of timber on land chiefly suitable therefor.

1925—February 24, the Purnell Act was approved: authorizing appropriations for the more complete endowment of agricultural experiment stations.

1925—On February 26, the Senate Committee on Agriculture and Forestry reported S. 4206, 68th Congress, second session, the second McNary-Haugen bill, based on making the tariff effective to farm products and minus the "ratio price" provision. The same day the House Committee on Agriculture reported the same bill. Neither bill came to a vote.

1926—On April 19, the third McNary-Haughen bill, S. 7893, 69th Congress, first session, was reported to the Senate. It came to a vote on June 24, and was defeated by a vote of 45 to 39.

1926—April 27, a similar bill, H. R. 11603, was reported to the House. It came to a vote on May 21, and was defeated by a vote of 212 to 167.

1926—July 2, the Cooperative Marketing Act was approved: to create a division of cooperative marketing in the Department of Agriculture; to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on Cooperative activities; to authorize cooperative associations to acquire, interpret and disseminate crop and market information.

1927—On January 18 the House Committee reported the Fourth McNary-Haugen bill, H. R. 15474, 69th Congress, second session.

1927—On January 24 the Senate Committee reported a similar bill, which was passed by the Senate on February 11, by a vote of 47 to 39. The Senate bill was substituted in the House for the House bill and passed the House on February 17, by a vote of 214 to 178. It was vetoed by President Coolidge. This bill provided for a Federal Farm Board and contained the equalization fee proposal.

1927—February 9, the Eradication or Control of European Corn Borer Act was approved: appropriating $10,000,000 to provide for the eradication or control of the European corn borer.

1927—February 15, the Milk Importation Act was approved: to regulate the importation of milk and cream into the United States for the purpose of promoting the dairy industry of the United States and protecting the public health.

1927—March 3, the Produce Agency Act was approved: to prevent the destruction or dumping, without good and sufficient cause therefor, of farm produce received in interstate commerce by commission merchants and others and to require them truly and correctly to account for all farm produce received by them.

1927—On March 4 the Discrimination Against Farmers' Cooperative Associations was approved: to prevent discrimination against farmers' cooperative associations by boards of trade and similar organizations.

1928—On April 12 the Senate passed the fifth McNary-Haugen bill, S. 3535, 70th Congress, first session, by a vote of 53 to 23. The House Committee on Agriculture reported the bill with amendments and on May 3, the House passed it by a vote of 204 to 121. The bill went to conference and the conference report was adopted by the House on May 14 and by the Senate on May 16. President Coolidge vetoed the bill on May 23 and on May 26 the Senate sustained his veto by a vote of 31 to 50.

1928—On May 21, the Standard Hamper Act was approved: to fix standards for hampers, round stave baskets, and splint baskets for fruits and vegetables.

1928—On May 21, the Eradication of the Pink Bollworm Act was approved: authorizing an appropriation of $5,000,000 for the eradication of pink bollworm in cotton.

1928—On May 22, the Capper-Ketcham Extension Act was approved: providing for further development of agricultural extension work in the several States and Territories receiving the benefits of the Smith-Lever Act of May 8, 1914.

1928—On May 22, the McNary-McSweeney Act was approved: authorizing annual appropriations for the more adequate development of various phases of research work affecting forests, forest products, ranges, etc.

1929—On February 20, the Potash Investigations Act was approved: authorizing appropriations for joint investigations by the Departments of Agriculture and Commerce for purpose of determining better and cheaper processes for recovering potash from deposits in United States.

1929—On February 25, the Seed, Feed, and Fertilizer Loan Act was approved: authorizing an appropriation of $6,000,000 for loans to farmers in storm and flood stricken areas of Southeastern States for purchases of seed, feed, and fertilizers.

The U. S. Government and the Farmer

Important Departmental Bureaus Dealing With Agriculture

The Department of Agriculture

Office of Experiment Stations.

THE Office of Experiment Stations exercises supervision over the operations of the State agricultural experiment stations under Federal appropriations and affords such advice and assistance as will best promote the efficiency of these activities. It also collects and disseminates information regarding similar institutions in foreign countries and publishes the experiment Station Record, reviewing the progress in agricultural research throughout the world.

Extensive Service.

The Extensive Service cooperates with the State agricultural colleges in the conduct of extension work in agriculture and home economics and acts as an agency for coordinating the extension activities of the Agricultural colleges. It conducts demonstrations on reclamation projects to assist settlers in making a success of their farm enterprises.

The Weather Bureau.

The Weather Bureau has charge of the forecasting of the weather; the issue and display of weather forecasts, and storm, cold-wave, frost, and flood warnings; the gauging and reporting of river stages; the maintenance and operation of the United States Weather Bureau telegraph and telephone lines; and the reporting of temperature and rainfall conditions for agricultural interests.

Bureau of Animal Industry.

The Bureau of Animal Industry is primarily concerned with the protection and development of the livestock and meat industries of the United States. It conducts scientific investigations of the causes, prevention, and treatment of diseases of domestic animals and carries on investigations and experiments in animal husbandry and in the feeding and breeding of animals. It also is charged with the administration of the meat inspection act, the animal quarantine acts, the 28-hour law, the diseased animal transportation acts, the virus-serum-toxin act, and the act relating to the supervision of the business in interstate commerce of packers, public stockyard markets, and commission men, traders, and other agencies operating in the public stockyards markets of the United States.

Bureau of Dairy Industry.

The Bureau of Dairy Industry conducts investigations of the various problems of dairy production, manufacture, and utilization, and the manufacture and utilization of dairy products and by-products. New principles and methods developed in the investigational work of the bureau are introduced into the field. The bureau also supervises the inspection of renovated-butter factories.

Bureau of Plant Industry.

The activities of the Bureau of Plant Industry are primarily devoted to plant research and related problems. This work includes the study of destructive plant diseases and the establishment of methods of eradication and control; the improvement of crop, ornamental, or other plants by breeding and selection; and the improvement of methods of plant production; and the utilization of plants of economic value.

Campaigns to control or eradicate certain plant diseases are conducted in cooperation with the authorities of the States concerned. The regulatory activities of the bureau are limited to the enforcement of the Federal seed act.

Forest Service.

The Forest Service administers the national forests; cooperates with States in maintaining organized protection of forest land against fire, and in distributing planting stock to farmers for windbreaks, shelter beds, and farm woodlands; conducts investigations in the entire field of forestry, including industrial research and research in forest economics and taxation; diffuses information relating to the best uses of forests and forest products; and, in short, seeks to promote the application of forestry throughout the country on both public and privately owned lands, together with efficient and economical use of the yield. Technical methods of forestry are applied to the growing and harvesting of timber. Livestock grazing is scientifically regulated so as to obtain range conservation along with full use of the annual growth of forage.

Bureau of Chemistry and Soils.

The work of this bureau is organized along three major lines—(1) chemical and technological research, (2) soil investigations, and (3) fertilizer and fixed-nitrogen investigations.

(1) Under "Chemical and Technological Research" is grouped the work relating to the application of the science of chemistry to the improvement of agriculture, development of processes for the utilization of agricultural products, and biological investigations of foods; experiments on the utilization, for coloring, medicinal, and technical purposes of raw materials; development of improved processes in the production of rosin and turpentine; investigations in development of methods of manufacturing insecticides and fungicides; improvement of methods for dehydrating materials used for food; and development of means to prevent farm fires and dust explosions.

(2) Under "Soil Investigations" is grouped all the soil work of the bureau, including the classification and mapping of the soils of the United States, studies of the agricul-

tural value of soils, their characteristics in relation to productiveness, their origin and development, and their chemical and mechanical compositions; research in soil microbiology; investigations of the response of soils to fertilizers and soil amendments; and studies of soil erosion.

(3) Under "Fertilizer and Fixed-Nitrogen Investigations" are grouped studies of the fertilizer resources of the country and methods of manufacturing fertilizer materials, including nitrogen, and its fixation, phosphates, potash, concentrated fertilizers, organic waste products and miscellaneous soil amendments.

Bureau of Entomology.

The Bureau of Entomology conducts investigations in economic entomology, involving studies of the life history and habits of insects, injurious and those beneficial to agriculture, and aboriculture, with a view to developing practical methods for destroying those found to be injurious and promoting the increase and spread of those found to be beneficial.

Bureau of Biological Survey.

The Bureau of Biological Survey is engaged in those forms of research work, conservation and control operations, and enforcement of laws that relate to vertebrate wild animals (except fishes), in the interests of agriculture, horticulture, stock-raising, forestry, and recreation, and the natural requirements of the wild life itself. The bureau administers Federal laws for the conservation of migratory birds, protection of animals and property on wild-life reservations, and prevention of illegal interstate shipments of bodies of wild animals and the entry of injurious foreign species.

Bureau of Public Roads.

The Bureau of Public Roads handles the engineering work of the Department of Agriculture. This work is divided into two main branches—highway engineering and agricultural engineering.

(1) The highway engineering branch deals with all highway functions of the department contemplated by the regular appropriations, including the conduct of highway research, and also with the work of administering the Federal aid and forest-road appropriations.

(2) The agricultural engineering branch conducts investigations of farm irrigation and drainage, farm machinery, farm buildings, and other rural engineering problems.

Bureau of Agricultural Economics.

The Bureau of Agricultural Economics conducts studies of the economics of production and marketing, agricultural cooperation, farm organization, farm financial relations, farm labor, land economics, and the problems of rural life. The bureau acquires and disseminates current information regarding the marketing and distribution of farm products, and collects, compiles, summarizes, interprets, and makes public statistical data relating to agricultural production. Studies are made of marketing methods, conditions, and costs and with regard to the standardization, transportation, handling, financing, and storage of agricultural products. Reports are prepared and published on the outlook for farm products.

Regulatory work is performed in connection with the enforcement of the cotton futures act, cotton standards act, grain standards act, standard container act, standard hamper act, and produce agency act, and the administration of the warehouse act.

Plant Quarantine and Control Administration.

The Plant Quarantine and Control Administration is charged with the enforcement of the plant quarantine act, regulating the importation of plants and plant products, including nursery stock, fruits, vegetables, cotton, and other plants and plant products necessary to exclude new and dangerous plant pests, as well as the movement within the United States of any plant or plant product or other article necessary to prevent the spread of new plant pests which have more or less limited foothold.

Grain Futures Administration.

The Grain Futures Administration is charged with the carrying out of the provisions of the grain futures act of September 21, 1922, which brings under the supervision of the Federal Government all trading in grain futures at grain exchanges designated as contract markets by the Secretary of Agriculture.

Food, Drug, and Insecticide Administration.

The Food, Drug, and Insecticide Administration enforces the food and drugs act, tea act, naval stores act, insecticide act, import milk act, and caustic poison act.

The Treasury Department

The Federal Farm Loan Bureau.

THE Federal Farm Loan Board, through the Federal Farm Loan Bureau, is charged with the administration of the Federal Farm Loan Act and that portion of the agricultural credits act of March 4, 1923, providing for the establishment and operation of the Federal intermediate credit banks. It established the 12 Federal land banks, fixed their respective districts, and established the 12 Federal intermediate credit banks.

It supervises the operations of these banks, and grants charters to national farm-loan associations and joint-stock land banks, which are likewise subject to its supervision. It has power, within the limits prescribed in the law, to fix, revise and alter rates of interest charged by Federal land and intermediate credit banks; to grant or refuse to Federal land banks or joint-stock land banks authority to make any bond issue; to grant or refuse to Federal intermediate credit banks authority to make any debenture issue; to issue rules and regulations governing the operations of the system; and to exercise such incidental powers as are necessary or requisite to fulfill its duties and carry out the purposes of the Federal farm loan act, and the agricultural credits act. An annual report to Congress, covering its activities, is made by the Farm Loan Board.

The Department of the Interior

General Land Office.

THE General Land Office is charged with the survey, management, and disposition of public lands, the adjudication of conflicting claims relating thereto, the granting of rights of way, the issuance of patents for lands, and with furnishing certified copies of land patents and of records. In national forests, it executes all laws relating to surveying, prospecting, locating, appropriating, entering, reconveying, or patenting of public lands.

Bureau of Reclamation.

The Bureau of Reclamation is charged with investigation, construction, and management of irrigation developments in the arid States; also investigations of reclamation and farm development outside the arid region.

The Department of Commerce

Bureau of Foreign and Domestic Commerce.

IT IS the duty of this bureau to "promote and develop the foreign and domestic commerce of the United States." Included under the obligations with which it is charged are such duties as (1) "to report upon domestic as well as foreign problems relating to production, distribution, and marketing in so far as they relate tc the important export industries of the United States"; (2) "to investigate and report upon such conditions in the manufacturing industries and trade of foreign countries as may be of interest to the United States"; (3) to promote American trade with Europe, Central and South America, and the Far East; (4) "To operate and maintain district and cooperative offices within the United States"; (5) to enforce the China trade act regarding the tax exemptions of American firms doing business in China; (6) to compile and publish statistics on foreign trade; (7) to investigate trade restrictions and regulations of foreign countries in relation to American commerce; (8) to prepare and circulate lists of available foreign agents for American firms.

***Annual Appropriations for Department of Agriculture,* 1920-1929.**

Appropriations

Fiscal Year	Regular	Roads	All Purposes
1920	$50,449,692.26	$99,000,000.00	$149,449,692.26
1921	47,945,760.28	104,000,000.00	151,945,760.28
1922	54,149,776.33	81,000,000.00	135,149,776.33
1923	51,880,038.45	36,000,000.00	87,880,038.45
1924	56,771,355.29	33,300,000.00	90,071,355.29
1925	60,464,647.76	20,000,000.00	80,464,647.76
1926	58,373,717.34	107,675,000.00	166,048,717.34
1927	71,908,207.11	81,400,000.00	153,308,207.11
1928	69,696,245.68	79,380,000.00	149,076,245.68
1929	79,160,593.91	89,851,294.00	169,011,887.91*

1920-1929 Total $1,332,406,328.41.

* Subject to change on account of indefinite appropriations, etc.

Agricultural Outlook for 1929

Forecast by the U. S. Bureau of Agricultural Economics

THE agricultural outlook for 1929 is for some improvement in the Midwest and East, offset by conditions in other regions possibly not quite so good as in 1928. For agriculture as a whole, total gross income will probably be maintained near its present level of around $12,000,000,000 to $12,500,000,000.

The agricultural situation for the past five years has been marked by a rising volume of production and by a relative stability in prices paid by farmers for goods and services, such as labor, machinery, building materials, and taxes.

The Contributing Factors

The chief contributing factors to the upward trend of production have been dairy and poultry products, small grains, truck crops, and fruits and vegetables. In 1928 these trends continued, with prices to producers of the principle crops generally lower than in 1927, with an upward tendency in prices of most classes of livestock and livestock products, and with land values becoming more and more stabilized. Continued heavy production of feed crops in the face of reduced numbers of meat and work animals resulted in an unbalanced situation which threatens to prevent a continuation of the present level of return for livestock and livestock products.

Fluctuating Prices

Prices in recent years have fluctuated largely in response to production changes, and except for changes that may result from national policies designed to increase the price level of farm products, the prices of the principal products may be expected to show their usual response to changes in production and in domestic and foreign demand. If the gradual reduction in the number of farms continues the average individual income will continue to gain somewhat by reason of the fairly stable total being divided among a steadily decreasing number.

Judging from recent trends in general business activity, commodity prices, and the financial situation, observers feel that business activity is likely to be maintained near the present level through most of 1929, but there may be some recession in the latter part of 1929 or early part of 1930 similar to the recessions of 1924 and 1927. If the anticipated slackening does appear, the domestic demand for the farm products of 1929-30 will be reduced somewhat below that of the current season.

A Gradual Recovery in 1928

Following the moderate recession in business activity at the end 1927, there was a gradual recovery during 1928, and the year ended with somewhat better than normal business conditons which helped sustain the markets for butter, fluid milk, wook, mohair, lambs, beef, and other farm products which are sensitive to business conditions. This general recovery was due largely to improvements in the major industries, iron and steel, automobiles, textiles, and building, which were reflected in an improvement in employment and the buying power of urban consumers.

Foreign Markets

Foreign demand for our agricultural products of 1929 probably will be about the same as for the products of 1928. From present indications the purchasing power of foreign consumer generally should be as good as in the present season. The purchasing power of the consumers of a few countries, particularly Germany, Poland, and Denmark, may be better than during the present season. The purchasing power of consumers in the remainder of continental Europe, in the United Kingdom and the Orient now seems likely to be at least as good during the present season. Competition of foreign producers in foreign markets and in the markets of the United States will probably be at least equal to that of the past season, being greater for some commodities and less for others. Somewhat less competition is to be expected in the production of pork, wheat and rye, but more competition may be expected in corn, apples, tobacco, flaxseed, dairy products and wool.

European Conditions

In general economic conditions in Europe are now better than they were a year ago. Completion of currency stabilization in all of the principal European markets for our products has rendered improbable a return to the extreme fluctuations in economic conditions that have characterized previous years. In Great Britain the industrial situation shows little or no improvement over that of a year ago and unemployment shows some increase. No significant change is anticipated, however, in the British purchasing power for agricultural products. Prospects for the sale of American products in Japan and China are better than last year.

It is difficult to forecast industrial activity and the purchasing power of foreign consumers generally, so far in advance as to cover the 1929-30 marketing season, but, barring a general industrial or financial depression, foreign market conditions will continue to improve.

The latter part of March, 1929, brought some favorable weather thruoghout much of the North, melted the snow, dried up the land, and permitted a start of farm work. A considerable part of the oats acreage has been sown and preparations are going forward for the whole crop program. In the South, the extremely heavy rains continued to hold up farm work and caused damaging floods in many river valleys. Winter wheat is starting up rapidly. Farmers generally report that less winter-wheat acreage than usual will be abandoned this spring. Fruit trees have shown about normal progress, early varieties being now in bloom well up into the North.

Reports from 50,000 Farmers.

In March the Bureau of Agricultural Economics completed its annual inquiry from about 50,000 farmers who reported their intentions, as of March 1, regarding the planting of spring crops. No information was collected on cotton, since that is prohibited by law, but of the other main crops it appears that the intention of farmers is to plant a slightly greater (2 per cent) total acreage than was grown last year.

The low price of durum wheat (soft wheat used for making macaroni and spaghetti, mostly sold in Italy and Spain) has influenced growers in the spring-wheat territory to plan a reduction of 20 per cent in durum acreage. This would be made up by increases of 8 per cent more bread wheat, 10 per cent more flax, and 6 per cent more barley, the prospective combinations varying in different sections from Minnesota to Montana.

Potato growers, influenced by the very low price of their crop, plan about an 11 per cent reduction in acreage. This is the opposite of the story last spring when an increase was planned and carried out against all warnings and was followed by a crop that broke the market. The decrease contemplated this year should help in bringing the main potato crop back into line for more profitable prices.

The South to Reduce Acreage.

The South indicates its intention to reduce rice acreage 7 per cent, but to increase sweet potatoes and peanuts each 6 per cent. The plans for as much as 22 per cent increase in Burley tobacco acreage might make possible a crop so large as to hurt prices materially.

In the case of feedstuffs, the reports indicate intended plantings of a slightly smaller acreage of corn and oats and slightly more grain sorghums than last year. The acreage of hay shows a prospective increase of about 3 per cent, this being most striking in the Northern and Eastern States, where farmers are trying to build up their clover and alfalfa meadows, which were killed out a year ago.

A Well Balanced Crop Program.

On the whole, it appears that the general crop program this spring is well balanced, barring some possible overplanting of spring wheat, Burley tobacco and, in certain areas, beans and cabbage.

Farmers of the United States are planning about the usual crop acreages for 1929, according to the report on planting intentions. The acreages of fall-sown wheat and rye, early planted crops, and meadows now standing, combined with the intended acreages of spring-sown crops, indicate total acreage for the principal crops, except cotton, of 1.9 per cent above the combined acreages of the same crops grown in 1928. Contemplated increases are largest in Ohio Valley States, where acreages were reduced last year by winter-killing of wheat and unfavorable spring planting weather, and in South Dakota, Colorado and New Mexico, where failure from drought was material last year. As interference with planting from adverse weather and losses from summer drought or other causes can not be forseen, the acreages harvested are usually somewhat below those intended in the spring.

Increase in Bread Wheat.

All of the important spring wheat States, except Minnesota, intend increases of bread wheat. Decreases are planned in durum wheat acreage in all of the durum wheat States. At the same time North Dakota and Montana farmers intend material increases in flax acreage.

The decrease in intended acreage of potatoes is general. Decreases are largest in the commercial potato-growing States and range as high as 25 per cent in California and Louisiana. Farmers in all important sweet potato States contemplate increases in the acreages of this crop.

Tobacco farmers in the areas growing the flue-cured type report intentions to decrease acreage by 3 per cent, while in the Burley growing areas, an increase of 22 per cent is contemplated.

Increase in Peas and Peanuts.

Intended increases in peanut acreage are general with the exception of Texas. Farmers in the Virginias, North Carolina and Tennessee areas, which grow large podded peanuts, intend to increase acreage 8 per cent.

Substantial increases are planned in States producing white pea beans and Great Northern beans, and small increases in Colorado and New Mexico, which grow pinto beans.

Practically all States show intentions to cut a larger acreage of tame hay in 1929 than in 1928. The intended increases are most marked in the East North Central States, where winter-killing of clover meadows was heavy last year.

Livestock Prospects.

The annual inventory of the Nation's livestock made as of January 1, indicates fewer hogs on hand than last year, more sheep, and about the same number of cattle.

The number of horses continues to decline, as it has for several years. It is now at the lowest point in 40 years, and judging by the number of colts born in 1928, will continue to decline. Horse prices are advancing. This appears to be an excellent time for many farmers to replace old or worn-out horses with young animals.

The number of dairy cows is reported as about the same as a year ago, but yearling heifers and heifer calves showed some increase in numbers.

Outlook for Hogs Favorable.

The outlook for the swine industry in 1929 is favorable. The 1929 market supply of hogs is expected to be considerably smaller than that of 1928. Some improvement in the foreign demand for American pork products is indicated and no material change in domestic demand is anticipated. Hog prices during 1929 are expected to average considerably higher than in 1928.

The combined spring and fall pig crop of 1928, as indicated by the pig surveys, was about 5 per cent smaller for the Corn Belt than the crop of 1927. The distribution of the 1928 crop over the Corn Belt States was in better relation to corn supplies than that of the 1927 crop.

Information as to hog supplies for the marketing year, November, 1928, to October, 1929, indicates a slaughter of from 43,000,000 to 45,000,000 head, which compares with a slaughter of 48,000,000 in the crop year 1927-28.

Cattle Prices at Peak.

The immediate outlook for the cattle industry continues favorable, with prices about at the peak of the cycle. Further reduction in market supplies in 1929 is indicated, but the decrease probably will not be as great as that of 1928. Supplies of grain-finished cattle during the first half of 1929 will probably equal or exceed those in the first half

Continued on page 145

President Hoover's First Message to Congress

Received by the Seventy-first Congress, April 16, 1929

I HAVE called this special session of Congress to redeem two pledges given in the last election—farm relief and limited changes in the tariff.

The difficulties of the agricultural industry arise out of a multitude of causes. A heavy indebtedness was inherited by the industry from the deflation processes of 1920. Disorderly and wasteful methods of marketing have developed. The growing specialization in the industry has for years been increasing the proportion of products that now leave the farm and, in consequence, prices have been unduly depressed by congested marketing at the harvest or by the occasional climatic surpluses. Railway rates have necessarily increased. There has been a growth of competition in the world markets from countries that enjoy cheaper labor or more nearly virgin soils. There was a great expansion of production from our marginal lands during the war, and upon these profitable enterprise under normal conditions can not be maintained. Meanwhile their continued output tends to aggravate the situation. Local taxes have doubled and in some cases trebled. Work animals have been steadily replaced by mechanical appliances, thereby decreasing the consumption of farm products. There are many other contributing causes.

The general result has been that our agricultural industry has not kept pace in prosperity or standards of living with other lines of industry.

The Problem One of Method.

There being no disagreement as to the need of farm relief, the problem before us becomes one of method by which relief may be most successfully brought about. Because of the multitude of causes and because agriculture is not one industry but a score of industries, we are confronted not with a single problem alone, but a great number of problems. Therefore there is no single plan or principle that can be generally applied. Some of the forces working to the detriment of agriculture can be greatly mitigated by improving our waterway transportation; some of them by readjustment of the tariff; some by better understanding and adjustment of production needs; and some by improvement in the methods of marketing.

An effective tariff upon agricultural products, that will compensate the farmer's higher costs and higher standards of living, has a dual purpose. Such a tariff not only protects the farmer in our domestic market, but it also stimulates him to diversify his crops and to grow products that he could not otherwise produce, and thus lessens his dependence upon exports to foreign markets. The great expansion of production abroad under the conditions I have mentioned renders foreign competition in our export markets increasingly serious. It seems but natural, therefore, that the American farmer, having been greatly handicapped in his foreign market by such competition from the younger expanding countries, should ask that foreign access to our domestic market should be regulated by taking into account the differences in our costs of production.

Mandate from the Election.

The Government has a special mandate from the recent election, not only to further develop our waterways and revise the agricultural tariff, but also to extend systematic relief in other directions.

I have long held that the multiplicity of causes of agricultural depression could only be met by the creation of a great instrumentality clothed with sufficient authority and resources to assist our farmers to meet these problems, each upon its own merits. The creation of such an agency would at once transfer the agricultural question from the field of politics into the realm of economics and would result in constructive action. The administration is pledged to create an instrumentality that will investigate the causes, find sound remedies, and have the authority and resources to apply those remedies.

A Federal Farm Board.

The pledged purpose of such a Federal farm board is the reorganization of the marketing system on sounder and more stable and more economic lines. To do this the board will require funds to assist in creating and sustaining farmer-owned and farmer-controlled agencies for a variety of purposes, such as the acquisition of adequate warehousing and other facilities for marketing; adequate working capital to be advanced against commodities lodged for storage; necessary and prudent advances to corporations created and owned by farmers' marketing organizations for the purchase and orderly marketing of surpluses occasioned by climatic variations or by harvest congestion; to authorize the creation and support of clearing houses, especially for perishable products, through which, under producers' approval, co-operation can be established with distributors and processors to more orderly marketing of commodities and for the elimination of many wastes in distribution; and to provide for licensing of handlers of some perishable products so as to eliminate unfair practices. Every penny of waste between farmer and consumer that we can eliminate, whether it arises from methods of distribution or from hazard or speculation, will be a gain to both farmer and consumer.

Economic Investigations.

In addition to these special provisions in the direction of improved returns, the board should be organized to investigate every field of economic betterment for the farmer so as to furnish guidance as to need in production, to devise methods for elimination of unprofitable marginal lands and their adaptation to other uses; to develop industrial by-products and to survey a score of other fields of helpfulness.

Certain safeguards must naturally surround these activities and the instrumentalities that are created. Certain vital principals must be adhered to in order that we may not undermine the freedom of our farmers and of our people as a whole by bureaucratic and governmental domination and interference. We must not undermine initiative. There should be no fee or tax imposed upon the farmer. No governmental agency should engage in the buying and selling and price fixing of products, for such courses can lead only to bureaucracy and domination. Government funds should not be loaned or facilities duplicated where other services of credit and facilities are available at reasonable rates. No

activities should be set in motion that will result in increasing the surplus production, as such will defeat any plans of relief.

Marketing Organizations.

The most progressive movement in all agriculture has been the upbuilding of the farmer's own marketing organizations, which now embrace nearly two million farmers in membership and annually distribute nearly $2,500,000,000 worth of farm products. These organizations have acquired experience in virtually every branch of their industry, and furnish a substantial basis upon which to build further organization. Not all these marketing organizations are of the same type, but the test of them is whether or not they are farmer owned or farmer controlled. In order to strengthen and not to undermine them, all proposals for governmental assistance should originate with such organizations and be the result of their application. Moreover, by such bases of organization the Government will be removed from engaging in the business of agriculture.

A Start Must Be Made.

The difficulties of agriculture can not be cured in a day; they can not all be cured by legislation; they can not be cured by the Federal Government alone. But farmers and their organizations can be assisted to overcome these inequalities. Every effort of this character is an experiment, and we shall find from our experience the way to further advance. We must make a start. With the creation of a great instrumentality of this character, of a strength and importance equal to that of those which we have created for transportation and banking, we give immediate assurance of the determined purpose of the Government to meet the difficulties of which we are now aware, and to create an agency through which constructive action for the future will be assured.

In this treatment of this problem we recognize the responsibility of the people as a whole, and we shall lay the foundations for a new day in agriculture, from which we shall preserve to the Nation the great values of its individuality and strengthen our whole national fabric.

The Tariff Bills.

In considering the tariff for other industries than agriculture, we find that there have been economic shifts necessitating a readjustment of some of the tariff schedules. Seven years of experience under the tariff bill enacted in 1922 have demonstrated the wisdom of Congress in the enactment of that measure. On the whole it has worked well. In the main our wages have been maintained at high levels; our exports and imports have steadily increased; with some exceptions our manufacturing industries have been prosperous. Nevertheless, economic changes have taken place during that time, which have placed certain domestic products at a disadvantage and new industries have come into being, all of which creates the necessity for some limited changes in the schedules and in the administrative clauses of the laws as written in 1922.

It would seem to me that the test of necessity for revision is in the main whether there has been a substantial slackening of activity in an industry during the past few years, and a consequent decrease of employment due to insurmountable competition in the products of that industry. It is not as if we were setting up a new basis of protective duties. We did that seven years ago. What we need to remedy now is whatever substantial loss of employment may have resulted from shifts since that time.

No Discrimination Against Foreign Industry.

No discrimination against any foreign industry is involved in equalizing the difference in costs of production at home and abroad and thus taking from foreign producers the advantages they derive from paying lower wages to labor. Indeed, such equalization is not only a measure of social justice at home, but by the lift it gives to our standards of living we increase the demand for those goods from abroad that we do not ourselves produce. In a large sense we have learned that the cheapening of the toiler decreases rather than promotes permanent prosperity because it reduces the consuming power of the people.

In determining changes in our tariff we must not fail to take into account the broad interests of the country as a whole, and such interests include our trade relations with other countries. It is obviously unwise protection which sacrifices a greater amount of employment in exports to gain a less amount of employment from imports.

Reorganization of Tariff Commission.

I am impressed with the fact that we also need important revision in some of the administrative phases of the tariff. The Tariff Commission should be reorganized and placed upon a basis of higher salaries in order that we may at all times command men of the broadest attainments. Seven years of experience have proved the principle of flexible tariff to be practical, and in the long view a most important principle to maintain. However, the basis upon which the Tariff Commission makes its recommendations to the President for administrative changes in the rates of duty should be made more automatic and more comprehensive, to the end that the time required for determinations by the Tariff Commission shall be greatly shortened. The formula upon which the commission must now act often requires that years be consumed in reaching conclusions where it should require only months. Its very purpose is defeated by delays. I believe a formula can be found that will insure rapid and accurate determination of needed changes in rates. With such strengthening of the Tariff Commission and of its basis for action many secondary changes in tariff can well be left to action by the commission, which at the same time will give complete security to industry for the future.

Immigration and Reapportionment.

Furthermore, considerable weaknesses on the administrative side of the tariff have developed, especially in the valuations for assessments of duty. There are cases of undervaluations that are difficult to discover without access to the books of foreign manufacturers, which they are reluctant to offer. This has become also a great source of friction abroad. There is increasing shipment of goods on consignment, particularly by foreign shippers to concerns that they control in the United States, and this practice makes valuations difficult to determine. I believe it is desirable to furnish to the Treasury a sounder basis for valuation in these and other cases.

It is my understanding that it is the purpose of the leaders of Congress to confine the deliberations of the session mainly to the questions of farm relief and tariff. In this policy I concur. There are, however, certain matters of emergency legislation that were partially completed in the last session, such as the decennial census, the reapportionment of congressional representation, and the suspension of the national origins clause of the immigration act of 1924, together with some minor administrative authorizations. I understand that these measures can be reundertaken without unduly extending the session. I recommend their consummation as being in the public interest.

The House Passes the Farm Board Bill

On April 25, 1929, the House by a vote of 367 to 34 passed the Federal Farm Board Bill, H. R. 1, introduced by Representative Gilbert N. Haugen, Iowa, Republican, Chairman of the House Committee on Agriculture. The only amendments adopted by the House were those offered by the Committee making slight changes in verbiage for the sake of clarity.

The Bill was introduced by Mr. Haugen on April 15. It was referred to the Committee on Agriculture and reported by that Committee on April 16.

On April 26, it was referred to the Senate Committee on Agriculture and Forestry.

Provisions of H. R. 1, the Federal Farm Board Bill

SECTION 1. It is hereby declared to be the policy of Congress (1) to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries; and (2) to that end to protect, control and stabilize the current of interstate and foreign commerce in the marketing of agricultural commodities and their food products by minimizing speculation, preventing inefficient and wasteful methods of distribution, and limiting undue and excessive price fluctuations; by encouraging the organization of producers into cooperative associations and promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies; and by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from unduly depressing prices for the commodity. The Federal farm board shall execute the powers vested in it by this act only in such manner as will, in the judgment of the board, aid to the fullest practicable extent in carrying out the policy above declared.

The Federal Farm Board.

Section 2 provides for the creation of a Federal Farm Board to consist of a chairman and five members to be appointed by the President, with the Secretary of Agriculture as an ex-officio member, making seven members in all. The members of the Board would be appointed for overlapping terms, the regular term to be six years. Board members are prohibited from actively engaging in any other business while on the Board. The salaries, except that of the Chairman, which is to be fixed by the President, would be $12,000 a year.

This section also provides that the principal office of the Board shall be located in the Department of Agriculture in Washington; contains the usual authorization to the Board for the appointment of subordinate officers and other employees and directs the Board to make annual reports to Congress.

Agricultural Commodity Committees.

Section 3. This section authorizes the Board to establish as an agricultural commodity for its purpose, either any regional or market classification or type of any agricultural commodity or any two or more agricultural commodities, which, in its judgment, can be handled better if treated as a single unit.

The Board is directed, after it has defined a "single commodity" to invite the cooperative associations handling that particular commodity to establish a committee of seven, two of whom shall be experienced handlers or processors of the commodity to represent that commodity before the Board. The members of these committees are to be appointed by the associations. No salaries are to be paid the members of these committees, but they are to be allowed a per diem compensation not exceeding $20 for attending meetings authorized by the Board, and necessary traveling expenses.

Board to Make Comprehensive Studies.

Section 4. This section authorizes and directs the Board to make comprehensive studies of all phases of agriculture and to promote education in the practices of cooperative marketing and to encourage the organization and development of effective cooperative associations.

A $500,000,000 Revolving Fund.

Section 5. This section authorizes the appropriation of $500,000,000 to constitute a revolving fund from which the Board is authorized to make loans and advances. Repayments of principal from the loan fund are to be covered into the revolving fund. Payments of interest are to be covered into the Treasury of the United States.

The loans from the revolving fund are to be made to cooperative associations, upon their application, for purposes of merchandising, construction or lease of storage or other physical marketing facilities of agricultural commodities or products; the formation of clearing house associations and for educational purposes looking to the advancement in the development of cooperative marketing. The Board is prohibited from making any loan unless, in its opinion, the loan is in furtherance of the purposes set forth in Section 1 of the Act.

Clearing House Associations.

Limitations placed on lending authority of the Board provide that no loan for construction or purchase of facilities shall exceed 80 per cent of the value of the facilities nor unless the Board finds the price reasonable; no loan shall be made for construction of purchasing facilities unless it is demonstrated that none are available at a reasonable rental. All loans shall be repaid within 20 years.

This section also authorizes the Board, upon application of a cooperative association, to assist in forming producer-controlled clearing house associations to operate under rules adopted by the member cooperative associations and approved

by the Board. Independent producers and dealers shall be eligible for membership in these clearing houses.

Insurance Agreements.

The Board is authorized to enter into insurance agreements for the insurance of cooperative associations against loss through price declines, provided, in the opinion of the Board (1) coverage is not available from private agencies at reasonable rates; (2) the insurance will be in furtherance of the policy of the Act and (3) the agricultural commodity to be insured is regularly traded in upon an exchange in sufficient volume to establish a basic recognized price for the market grades of the commodity with price records of sufficient length to serve as a basis to calculate the risks and fix the premium for insurance. Moneys may be advanced from the revolving fund to meet obligations for insurance, but must be repaid as soon as practical, from the proceeds of insurance premiums. No loan or advance or insurance agreement shall be made if, in the opinion of the Board, it is likely to increase the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual domestic requirements.

Stabilization Corporations.

Section 6. This section confers upon the Board, upon the initiation of the commodity committee only, the power to finance stabilization corporations. These corporations may be organized under the laws of States; their entire voting stock must be owned by cooperative associations; they must adopt such laws and regulations as the Board may prescribe. Only one stabilization corporation may be formed in any one commodity. A stabilization corporation recognized by the Board is empowered to act as marketing agent for its commodities and the Board may advance it working capital, the stabilization corporation being required to set up out of its profits, adequate reserves before paying dividends. The corporation must be operated in the hope of a profit and not as a dumping organization nor may it withhold from the market any commodity it has purchased if its withholding produces distress to the consumer.

Administrative Provisions.

Section 7. This section provides for cooperation between various other branches of the Government and the Board.

Section 8. This section authorizes an appropriation of $1,500,000 for the expenses of the Board and defines cooperative associations as limited to what are known as cooperatives under the Capper-Volstead Act; prohibits any officer or employee of the Board from speculating in any food commodity or in the stock of any company handling such commodity; forbids, under heavy penalties, the disclosure of confidential information by a member or employee of the Board.

Section 10. This section sets forth the method of handling vouchers.

Section 11 states that the Act shall be known as the "Federal Farm Board Act."

Report of the House Committee on Agriculture on H. R. 1

WE FEEL very strongly that the United States both wants and needs an agriculture based upon small farms independently managed so far as possible by their owners, which will preserve that type of life from which the country has continuously renewed its strength and leadership. The farm home has meant too much to the nation to be lost. So, too, we feel that the growth of great corporations and chain stores has so rapidly absorbed the small, independent manufacturer and shopkeeper and transformed him into an employee that the Nation cannot spare its one remaining great group of independent, unincorporated producers—the farmers. And yet we know that corporate and merger methods have been the road to wealth for industry and trade. Our problem, then is the effort to keep for the farmer his independence of thought and action, yet bring him a return for his capital and labor at least sufficient to maintain the traditional farm home which knew comfort, even though it lacked ease.

Economic Equality with Industry.

This we believe is what the farmer means when he speaks of economic equality with industry. He neither asks nor expects equal financial rewards with the giants of industry or banking. He does ask and want that agriculture shall not be reduced to peasantry nor forced into corporate form to save its existence. In full agreement with his position, we have therefore tried to find how best we can accomplish his desire for that complete economic equality under modern conditions that the American farmer—alone of the farmers of the world—has heretofore enjoyed.

What the Government Has Done for Agriculture.

We have passed many laws in aid of agriculture as we have for industry. We established the Department of Agriculture long before the Department of Commerce, and its services in research and the improvement of production methods have been of incalculable value. Its market news, economic research, and assistance in marketing organization have also meant much to the farmer. Then, through the land and intermediate credit banks, as well as the Federal Reserve system, we have provided agriculture with both production and marketing credit. Through the tariff we have sought to protect products of agriculture against foreign competition, as we have done for industry. The great expansion and present prosperous condition of the cattle, dairy, and wool industries, for example, are due in a large measure to tariff protection. We have passed legislation—paralleling the laws under which industrial corporations are formed—for the formation and safeguarding of co-operative marketing associations. And, what we have not done for industry, we have exempted these organizations in many cases from the Sherman and other anti-trust legislation.

"Corporate Agriculture" Not Desired.

To sum up the comparison, it would appear that the economic differences between industry and agriculture on the production side favor industry in some ways and agriculture in others, and that these differences cannot be largely affected by legislation except by aiding research and education in improved methods. Certainly this is true, if we are to preserve the independence of the farmer from incorporating his business to get large-scale production. We do not want a mass production, corporate agriculture.

But when we approach the marketing or business side of agriculture, it is clearly evident that the economic inequality can be completely removed if not indeed so transformed as to give agriculture a stronger position than industry and thus balance its production disadvantages.

How Agriculture Can Be Helped.

First, we can help agriculture to become quite as well organized on the marketing side as is industry. We can assist the development of co-operative marketing, through which, as in industry, the middleman can be eliminated or forced to reduce his charge if it is higher than his services warrant. Through large-scale marketing, we can materially reduce overhead costs and largely eliminate the wastages that occur particularly in perishable products. We can assist in organizing of each commodity into a trade unit, as copper and oil are now completely organized in single units which take the product from the ground and deliver it completely manufactured to the final consumer. There is no sound reason why a group of farmers organized cooperatively in any community should not eventually, as the dairymen now do, both process the raw material and sell the finished product. We can assist in this development by aiding in the formation not only of individual cooperatives, but in their federation into regional or national groups.

Concentrated Capital Lacking.

Finally, we can and propose to do what we have not done for industry. One of the chief difficulties in organizing agriculture has been the lack of concentrated capital in the business. The grain traders and cotton factors, the millers and manufacturers, generally, have supplied capital for all agricultural operations, and the 6,000,000 farmers as individuals could not match the power of the money concentrated in the few hands to which they sold their product. The corporation form of industry made it easy for business to get large capital. If we desired our farmers to incorporate on the production side, they could secure capital just as industry has done, but since we do not want that kind of an agriculture we must, as a matter of national interest, supply to the marketing agencies of agriculture funds with which to match their competitors and control their own business.

We, therefore, propose, in the legislation we report today for agriculture, what has never been done for industry, and that is to supply it with the money it needs for the organizations it must have in the marketing of its product. And since we want the farmers of America to continue to own their own business, we will make the necessary advances to them upon terms that preserve their ownership and assert no claim on the part of the Government, as the financial power, to take the management out of their hands.

The Stabilization Corporation.

Next, we propose not only to duplicate all of the machinery that industry enjoys in marketing—not only to furnish capital for this machinery, but also to give to agriculture a new kind of organization which industry neither has nor under existing laws would be permitted to have. This is what is called the stabilization corporation. As we have shown, it is impossible for agriculture to control its production and against the public interest that it should attempt to control it to the extent that industry can so control. If we are, therefore, to ask the farmer to raise a surplus in order that the Nation may be safe, we must prevent that surplus, when through natural causes it exceeds our expectations and our consuming capacity, from depressing the price for the product unduly.

Of course, an increase in supply means a decrease in price in all commodities whether of industry or of agriculture. But the commodities of agriculture are peculiarly subject to speculative manipulation. Further, from the fact that the harvest is seasonal and not spread over the entire year as is the product of manufacture, there come periods in every year when a great volume of the commodity is offered for sale by the producer which will be consumed only over the 12-month period. Speculation often uses these periods of harvest to force the price to the farmer below the true value of his product and below the average price for which it will sell in the coming 12 months.

Seasonal and Speculative Depressions.

To prevent these speculative and seasonal depressions, we propose to permit the cooperative associations to set up stabilization corporations to which the Government will advance funds greater than can be mustered by the adverse speculative or trade interests, to protect the farmer in the sale of his commodity. We are convinced that no speculator will continue to sell short in a declining market in the face of a powerful organization backed by the Government which intends to lift off the market, if necessary, enough wheat or cotton, for example, to prevent the price being driven below the real value of the product.

Broad Powers of Farm Board.

Finally, we propose the creation of a Federal farm board, with the broadest powers ever conferred by the Government upon any agency to guide and assist any group of citizens. We believe that this board, with the powers we have given it and shall later detail in this report, will prove of enormous value in meeting the problems that from time to time affect the various branches of agriculture.

In addition to the financing and to the stabilization corporation and to the farm board, none of which have been paralleled in legislation for any other industry, we are proposing a practically complete exemption to the organizations of agriculture from the operation of the anti-trust and monopoly statutes. Upon this point particularly, we anticipate a considerable criticism from the non-agricultural sections. We believe, however, that this exemption is justified on two main grounds: First, that the nature of agriculture is such that control of production can not be achieved as easily as in industry, if indeed it can be achieved at all. With 6,000,000 men engaged in independent farming operations, the probability of successful monopoly to the public injury is very slight. In the second place, if as a Nation we wish and need a production safely in excess of our minimum needs, we must give to the farmer some off-setting advantages in the control of his prices and marketing that we refuse to all other forms of industry. Unprecedented as this is, we strongly recommend its adoption.—*Extracts.*

Senate Committee Reports Farm Board Bill

The Senate Federal Farm Board Bill, S. 1, was introduced in the Senate on April 18, by Senator Charles L. McNary, Oregon, Republican, Chairman of the Committee on Agriculture and Forestry. It was referred to the Committee and reported to the Senate on April 23, by a vote of 8 to 6, with the debenture feature included, after Senator McNary had received and laid before the Committee the disapproval of the debenture plan by President Hoover, Secretary of the Treasury Mellon, Secretary of Agriculture Hyde and officials of the Department of Commerce. These reports were transmitted in a letter from the President to Senator McNary.

The members of the Committee voting to include the debenture provision in the bill were: Senators Norris, Nebr., R., Frazier, N. D., R., Norbeck, S. D., R., Shipstead, Minn., F. L., Wheeler, Mont., D., Caraway, Ark., D., Heflin, Ala., D., and Thomas, Okla., D. Senator Smith, S. C., D., was absent. The bill was reported April 23 and made the unfinished business of the Senate.

The provisions of the Senate Bill are practically identical with those of the House Bill with the exception of the debenture provision, which is not included in the House Bill, and the provision creating the Farm Board. The House Bill provides for a Board of Six members, whose residence is not considered, whereas the Senate Bill provides for a Board of twelve members, one of whom shall be appointed from each of the twelve Federal land bank districts.

An explanation of the export debenture plan is given in the following report of the Senate Committee on Agriculture and Forestry:

THERE are a number of fundamental considerations underlying a sound and effective program for the aid of American agriculture in addition to the specific provisions of the present bill. While it is true that the troublesome surplus problems have loomed large in our national thought, it should be recognized that there is a long-time approach to the solution of the so-called agricultural problem, as well as a short-time approach. A measure for the handling of the surpluses, in its very nature, contemplates more or less immediate results. On the other hand, many substantial and frequently overlooked problems will require much time for their study and solution. Again we must recognize that many of the economic questions now confronting American farmers are of such a nature that they can be solved only by the individual producer or through the collective action of the farmers themselves which this bill is designed to encourage.

We have reference particularly to the following elements in a long-time agricultural policy. Some of these are within the jurisdiction of this committee to consider while others must be considered originally by other committees of the Senate:

Minimizing Fluctuations in Price Level

Every practicable step should be taken to preserve a reasonable stability in the general price level for all commodities. In the past, violent price fluctuations have disrupted business relations and inflicted particularly heavy damage on agriculture which is, as already noted, less able than industry to adjust itself to changing price levels. Improved banking and credit facilities and accumulated banking experience are giving us a technique for minimizing price fluctuations and for enhancing stability in business generally.

While the disparity in the exchange value of farm products since 1920 is of vital importance, it does not account for all the difficulties confronting agriculture. For instance, it will be recalled that much of the present farm indebtedness was contracted at a high level of prices, and that debts so incurred have caused serious hardship and even bankruptcy. Farmers have been obliged to pay interest and principal with proceeds from the sale of products at the lower level of prices that has prevailed in the past 10 years. This situation, however, is due in a large measure to war-time and post-war inflation and to subsequent deflation in the general price level, as well as to the fall of prices of farm products as compared with prices of things the farmer has to buy. The inflation and the deflation of the general price level is cited here to indicate their relation to distress in agriculture since 1920. It needs to be considered in connection with the broad, long-time agricultural policy.

Formulating Sound Land Policy

There should be made an economic classification on land according to the uses to which it is best suited. This is fundamental to a sound land policy and to a long-time program for the stabilization of agriculture. Land which is better suited for the growing of timber than for farming should be put into timber as rapidly as possible.

Improving Foreign Markets

Even with improvements in the agricultural tariff, impor-

tant parts of our agriculture will continue to be, perhaps for many years, on an export basis and subject to severe foreign competition. It is necessary that the Government should endeavor to help find more advantageous markets abroad for the exportable farm surplus. This calls for improvement in trade relations and up-to-date information on foreign competition and demand as they affect our agriculture. Promotional work, the purpose of which is to expand the markets for farm products, should be continued and expanded by the United States Department of Agriculture, Commerce, and State.

Industrial Utilization of Farm Products

To this end research should be encouraged to ascertain the possibilities of industrial utilization of farm products. Energetic effort to expand industrial utilization of farm products should in the long run, do much to expand the farmer's domestic market and thereby to reduce his dependence on foreign markets.

The Market News Service

The market news service should be improved and extended to make available to the farmer up-to-date information on market conditions.

Strengthening Price Analysis

Since no small part of the difficulties of farmers during the past several years have grown out of the creation of surpluses, every effort should be made, not only to handle burdensome surpluses, but also to prevent the damaging effects of overproduction through a better adjustment of supply to market requirements. This is contemplated under the bill before us and calls for the energetic support by Congress of price analysis and outlook work, which is fundamental in any effort to adjust acreages to the needs of the market. It calls for intensive salesmanship of outlook information through the extension forces, both Federal and State, through cooperative organizations of producers in order that individual farmers will acquire that social consciousness that will cause them to increase or decrease their production as required by market conditions, and not selfishly look merely to their own personal interest.

Reducing Costs in Farming

Coupled with a program to adjust production to market requirements should go a plan of reducing production costs wherever possible through the adoption of more efficient methods of farming. The degree of efficiency varies widely in agriculture, as in any industry. The technique of farming is continually changing. The adoption of the most approved principles and practices in farm organization and operation undoubtedly will result in further reducing the cost of producing many farm products.

Minimizing Hazards in Agriculture

Farming in its very nature is subjected to innumerable hazards. It should be possible to insure against these hazards as business men now insure against risks in other forms of business. At the present time, however, there is no adequate information with which to measure these hazards for the making of insurance rates. In order to meet this defect in our information, Congress has had under consideration a measure providing for careful study of the hazards in growing crops in the various sections of the country and the feasibility of writing insurance protection against such hazards.

Extending Farm-Credit Facilities

In sections of the country where the small banks are not adequately serving agriculture there is undoubtedly a place for the establishment of credit corporations, livestock loan companies, and other financial units through which agriculture may tap the reservoir of credit provided by the intermediate credit banks.

Improving Transportation

The United States undoubtedly has the most efficient transportation system in the world, and yet, at the present time, freight rates in some sections of the country are bearing down with undue weight on agriculture. Examination of the freight-rate structure should be hastened with the purpose of relieving those sections which are now bearing an undue part of the freight burden.

Strengthening Research

Underlying all effort at agricultural relief must be a sound basis of facts. Without adequate information it would be quite impossible to legislate intelligently or to operate wisely in the interest of a better agriculture. This need points to a substantial broadening and strengthening of the research work in which the United States Department of Agriculture and other Federal and State institutions are now engaged. Coupled with our knowledge of the facts must go an intensive program of education, the purpose of which is to place in the hands of producers, individually and collectively, those facts which will enable them to better solve their production and marketing difficulties.

Export Debentures

Section 10 provides a mechanism of export debentures which the board may use at its discretion in meeting special situations which the board may find it impossible to meet adequately under the loan, stabilization corporation, or other provisions of the act. If, for example, there should be in any year an exceptional surplus of a commodity and if the marketing conditions should be such that the surplus could not be handled adequately under the other provisions, the board would have the authority to invoke the export debenture plan.

Under the export debenture plan a bounty may be granted upon exports of raw agricultural commodities or their food products. The bounty is payable in a form of currency denominated export debentures. The amount of the bounty so payable upon the export of an agricultural commodity is one-half the amount of the import duty on such a commodity. In the case of exports of food products the bounty payable is proportionate to the amount of raw commodity consumed in the manufacture of the product. Debentures are legally tenderable at their face amount in payment of import duties. The cost to the Government is the amount disbursed as the export bounty through the issuance of export debentures. Except in so far as exporters of debenturable commodities are also importers, the negotiable debenture certificates necessarily would be sold sufficiently below par to induce importers to use them in preference to cash in the payment of import duties. For this reason the domestic market for the commodity would be influenced by somewhat less than the full amount of the debenture.

The effect upon production of any increase in the price of the commodity would depend on the policy which the board might choose to adopt in invoking this provision.—*Extracts.*

The President Opposes Export Debentures

President Hoover's Letter to Senator McNary, April 20, 1929

ON APRIL 12 I received a call from yourself and Senators Capper, Heflin, Norbeck and Ransdell, acting as a sub-committee of the Senate Committee on Agriculture, requesting my opinion on the "export debenture plan" for agricultural relief, since it is a complete departure from the principles already debated during the campaign. I informed the committee that I would request an analysis of the plan by the Departments of Agriculture, Treasury and Commerce, and would transmit them to the committee, together with my conclusions after investigation. The departments have given it earnest consideration and I have just received and studied those reports, which I transmit to you herewith.

Principle of Plan.

The principle of this plan as set out in the draft bill of your committee which is before me, is to issue a Government debenture to merchants exporting agricultural products in amount of one-half of the tariff on such products—such debentures to be redeemed by presentation for payment of import duties. The assumption is that by creating a scarcity through stimulating exports that the domestic price will rise above world prices to the amount of the debenture—that is, if the debenture on wheat exports is 21 cents a bushel, the price of wheat will be 21 cents higher in the domestic market than in the world market.

Weakness Pointed Out.

I am aware of the arguments put forward in favor of the plan by some of our agricultural organizations, and the arguments of other farm organizations in opposition to it. The proposers advance it in the utmost good faith and earnest desire to assist in solution of a great problem and I regret deeply that I cannot agree that this provision would bring the results expected. On the contrary I am convinced that it would bring disaster to the American farmer.

The weaknesses of the plan as set forth in the Senate bill may be summarized as follows:

A Direct Subsidy.

1. The issue of debentures to export merchants and their redemption in payment of import duties amounts to a direct subsidy from the United States Treasury. If the plan proposed be generally applied it would cost in excess of $200,000,000 a year as it would decrease the Treasury receipts by such an amount.

A Gigantic Gift to Dealers.

2. The first result of the plan, if put into operation, would be a gigantic gift from the Government and the public to the dealers and manufacturers and speculators in these commodities. For instance, in the principal export commodities the value of the present volume of stocks in possession of these trades would, if the plan worked, rise by from $200,000,000 to $400,000,000 according to different calculations, without a cent return to the farmer or consumer. Every speculator for a rise in our public markets would receive enormous profits. Conversely, if after this elevation of prices the plan were at any time for any reason withdrawn the trades would suffer a like loss and a long line of bankruptcies must ensue. But in the meantime the trades, out of fear of withdrawal or of reduction in the subsidy, would not engage in normal purchase and distribution. Either exorbitant margins would be required or alternatively the farmer would be compelled to himself hold the nation's stocks until there was a demand for actual consumption.

Would Stimulate Overproduction.

3. If the increased price did reflect to the farmer, the plan would stimulate overproduction and thereby increase world supply which would in turn depreciate world prices and consequently decrease the price which the farmer would receive, and thereby defeat the plan. Stimulation of production has been the outstanding experience abroad where export subsidy has been applied. Overproduction will defeat the plan and then, upon its withdrawal, agriculture would be plunged into a catastrophe of deflation from overexpanded production. The farmer's difficulties today are in some part due to this process after the war.

Diversification Endangered.

4. The stimulation of production of certain commodities would disturb the whole basis of diversification in American agriculture, particularly in the cotton and wheat sections, where great progress is now being made toward a more stable basis of agriculture.

Pressure on the Farm Board.

5. Although it is proposed that the plan should only be installed at the discretion of the Farm Board, yet the tendency of all boards is to use the whole of their authority and more certainly in this case in view of the pressure from those who would not understand its possibility of harm, and emphatically from the interested dealers in the commodity.

Farmer Would Not Receive Benefits.

6. It is not proposed to pay the debentures of subsidies to the farmers, but to the export merchants, and it seems certain that a large part of it would not be reflected back to the farmer. It offers opportunity for manipulation in the export market, none of which would be of advantage to the farmer. The conditions of competitive marketing at home

and abroad and the increased risks would absorb a considerable part of its effect into the distribution and manufacturing trades. Moreover, the theoretical benefits would be further diminished by the fact that debentures would sell constantly at a discount, for the reasons that persons paying duties upon imports would not take the trouble to accumulate the debentures and lose interest upon them unless obtainable at a discount.

Would Compel Tariff Revision.

7. The provision of such an export subsidy would necessitate a revision of the import tariffs. For instance, an export of two cents a pound on raw cotton would mean the foreign manufacturers would be receiving cotton at two cents a pound less than the American manufacturer and the foreigner could ship his manufactured goods back into the American market with this advantage. As a subsidy in many cases is larger than the freight to foreign ports and back, it raises large opportunities of fraud in return shipment activities.

8. Export bounties are recognized by many nations as one form of dumping. I am advised that a similar action by another nation would be construed as a violation of our own laws. Such laws are in force in the principal countries of our export markets and to protect their own agriculture would probably lead to action which would nullify the subsidy given by us.

9. A further serious question arises again (if the plan did have the effect intended) where the foreign producer of animals would be enabled to purchase feed for less than the American farmer producing the same animals. For instance, the swine growers in Ontario would be able to purchase American corn for less than the American farmers across the border and it would tend to transfer the production of pork products for export to Europe from the United States to Canada. It would have the same and probably even more disastrous effect in dairy products.

Add to Tax Burden.

10. The plan would require a substantial increase in taxes as no such expenditure or depletion of revenues as this plan implies could be paid from marginal income of the government, more particularly in view of the very large increased expenditures imposed by the naval program, flood control and other branches of farm relief.

Altogether, from the above reasons, it is my belief that the theoretical benefits would not be reflected to the American farmer; that it would create profiteering; that it contains elements which would bring American agriculture to disaster.

The introduction of such a plan would also inevitably confuse and minimize the much more far-reaching plan of farm relief, upon the fundamental principles of which there has been general agreement.

Agricultural Outlook for 1929

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of last year. Any increase in such cattle, however, is likely to be offset by decreased supplies of other kinds of slaughter cattle. In the past price situations like the one which now prevails have been followed by increased production and reduced prices. This, therefore, does not appear to be a favorable time for new producers to enter the industry. Those already in may profit by moderate expansion during the next two or three years, even though prices go somewhat lower.

Increased Production of Lambs.

Supplies of lambs for marketing in the first half of 1929 are slightly larger than a year earlier, and indications are that a larger proportion of Western fed lambs will be marketed after March 1, than last year. Sheep numbers continued to increase during 1928, and the lamb crop this year may show some increase above last year. Wool production in the United States and in the important foreign producing countries during the 1928-29 season will apparently be about 6 per cent larger than for the 1927-28 season, and stocks in the primary markets have been increased.

Decreased numbers of hogs, horses and mules, increased numbers of sheep, and about the same number of cattle on January 1, 1929, compared to a year ago, are shown by the annual estimate of livestock numbers on farms. Milk cows and heifers are included in the estimates for all cattle. Reports indicate that some farmers in those areas where cattle of dual purpose of beef types predominate are tending to shift from milk production back to beef production. For the country as a whole, cows and heifers two years old and over kept for milk are estimated at 21,820,000 head, compared with 21,824,000 head a year ago. Yearling heifers kept for milk cows, however, show an increase from 4,201,000 head a year ago to 4,377,000 head on January 1, 1929. Heifer calves intended for milk cows also increased as compared with a year earlier.

Increase in Total Livestock Value.

Combining all livestock numbers in units which allow for differences in size and feed requirements of the several species, the composite number on January, 1929, was 1.6 per cent below January 1, 1928. This decline in the composite numbers is a continuation of the decline which began in about 1918. The present figure is 16.4 per cent below the figure for January 1, 1920.

The total value of all livestock on January 1, 1929, was $5,953,000,000, compared to $5,513,000,000 January 1, 1928. The 1929 valuation is the largest since 1921. The increased value this year, amounting to 8 per cent over 1928, was due principally to the further marked increase in the value per head of cattle. Prices per head of all species except hogs are higher than a year ago.—*Extracts.*

Should Export Debenture Plan Be Adopted?

Pro

HON. T. H. CARAWAY,
U. S. Senator, Arkansas, Democrat

THIS farm debenture plan, according to the experts from the Department of Agriculture who came before the Senate committee on Agriculture and Forestry, could possibly cost, though nobody believes it would cost, $146,000,000 annually. Of course, that is below $200,000,000. And there is not a line of evidence anywhere to support that assertion, that the cost would be $200,000,000 annually. The experts who figured this out for the President were before the committee, and they said the possible outside cost was $146,000,000. That assumed that every bushel of wheat, every pound of meat, every bale of cotton that went abroad from this time on would receive the benefits of the debenture plan, which was never proposed by anybody, because the plan is to become effective upon any product when the price is unfair.

One hundred and forty-six million dollars is an unthinkable gift to 25,000,000 of the American public, and yet the so-called tariff bill, which is just as much a subsidy as this would be, according to the experts, presented to the manufacturers of this country nearly $4,000,000,000 annually. That is right, and this is wrong! The President called into extraordinary session a Congress to raise the prices of manufactured products still higher and give the manufacturers a still greater subsidy, but objects to a pitful $146,000,000 to 25,000,000 of the American public, the farmers.

What is the object, let me ask, of farm legislation? Is it to raise the price the farmer is to receive for his product? If it is not that, for what was this extra session of Congress called? What meant the speeches and the promises made to the American farmer last November, that an extra session would be called and a scheme devised by which the farmer was to receive higher prices for his products?

Does it make any difference, so far as stimulating production is concerned, if the farmer gets a higher price, whether he gets it from the Government and its stabilization corporation, which may undertake to buy the products outright from the farmer at an enhanced price and thus enable the farmer to get a higher price than the world's level, or whether he gets it from the debenture plan proposed in this bill? In other words, if the mere raising of the price of the product to the farmer will stimulate overproduction, then this bill, if it is to do what it is promised, if it fulfills the promise of the President of the United States made to the American farmer last fall, must result in a higher price level and stimulated production. It makes no difference how you bring about the enhanced price, if the farmer gets a higher price, you have stimulated overproduction if that will stimulate overproduction. So I hardly think that anyone should very seriously consider that argument.

I would like to ask this question: When did it become a crime for any man to use his brain and his hands and his possessions to increase the national wealth? When did it become crime for a farmer, by increased energy and information, to raise two bushels of wheat where he one time raised but one? If the bill is to be a bill to limit production, if it

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Con

HON. CHARLES L. MCNARY,
U. S. Senator, Oregon, Republican

THE debenture plan was conceived, so far as I might say it exists in its present form, by Dr. Charles L. Stewart, connected with the agricultural college of Illinois, some ten years ago. It was first put into language and introduced into the Senate by the late Senator McKinley, of Illinois. Two or three House bills on the subject were introduced, one by Mr. Jones and another by Mr. Ketcham. I think in this Congress or the last Congress the able Democratic leader in this body, Mr. Robinson, and his distinguished colleague Mr. Caraway, introduced bills looking in the direction of the debenture plan.

My objection to the debenture plan was first based upon the proposition—a sentiment which is a principle with me—that good legislation can not be effected through a subsidy. I opposed as best I could the ship subsidy bill when it was on the floor of the Senate. I do not think a subsidy applied to the farmers would be permanent legislation.

Indeed, I am afraid that in the long run it would incur so much opposition throughout the country that it would be repealed, and might prevent building a permanent structure through legislation. Secondly, I said, following the two vetoes by President Coolidge, that I intended to persist so far as I was able in undertaking to legislate in this field, and I wanted the next bill I supported to be one that would be signed by the President. I think in the campaign—if I may introduce that suggestion—I said that I would support a bill which I thought embraced and embodied the views of Candidate Hoover. I feel that there is no doubt whatsoever that if a bill carrying a debenture plan should be submitted to the White House, it would instantilly meet with the disapproval of President Hoover. I think it is a vain thing for Congress to send a bill there or give our time to the consideration of a bill which we know would meet with Executive disapproval. I only state that for whatever it is worth, to show the position the chairman occupies, and which I think is shared by six other members of the Senate Committee on Agriculture and Forestry.

The debenture plan will do the job. It will make the tariff effective. It will, in my opinion, increase the price level of agricultural products. About that I have not the least doubt. It provides that a debenture shall be given to the exporter of farm commodities which is a certificate redeemable at the Treasury or at the customs houses in the amount of one-half the tariff; and it proceeds upon the theory that placing a bounty on that which goes abroad would naturally cause a disappearance of the surplus in the domestic market consequently raising the price level by an amount equal to one-half the tariff. If that were applied to the surplus wheat, undoubtedly, less any discount that might occur—which I think would be infinitesimal—it would bring to the producer of wheat 21 cents a bushel over and above the world price. Of that I have no doubt. So, when presenting this matter, all those considerations which are of merit and demerit must properly be set forth. If it is

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Pro

Hon. T. H. Caraway—*Continued*

is to be used to decrease production, then why do we not go at it directly and effect that end? If that is the purpose of farm legislation, I am against it. The farmers of this country create nearly 80 per cent of the national wealth. While they constitute one-third of the people they get less than 10 per cent of the wealth created.

Germany has had an export bounty for 25 or 26 years, and Germany has enjoyed a favored-nation treaty with us, and no living man has ever raised the question with Germany that her export bounty payment was a dumping provision or attempted to shut out German goods or invoke any retaliation, with the one exception of sugar. They have had it on wheat and rye and other farm products for more than a quarter of a century. Sweden has had it. Many countries have had it, and I challenge anybody to show that there has been a question raised in this country regarding it.

This provision does not introduce any new principle. There has been in the tariff bills for a century a provision for a drawback. We will suppose the case of a man who is manufacturing carpets in Philadelphia. He imports 100,000 pounds of wool from Australia to weave his carpets and pays $31,000 at the customhouse as a customs charge, because the tariff on wool is 31 cents a pound. He files a certificate that he is going to weave this wool into carpets and export them, and which he does, he then goes to the Treasury and gets 99 cents on every dollar that he paid into the Treasury and puts it in his pocket. Now, the farmer says, "You give me back just 50 cents on the dollar, and I will be satisfied;" and they say, "Oh, no; you are a robber and a plunderer for trying to get 50 per cent." The manufacturer gets 99 cents, and he is a patriot because he gives employment to American workingmen. Well, the farmer does, too. The farmer furnishes employment to more men than any other group in America; and if that argument be good for industry it ought to be good for the farmer.

I voted for the equalization fee, and I have no doubt about its effectiveness. We made a party issue of it. We pledged ourselves and went before the country on it, and I would have felt bound for that reason to vote for the equalization fee if I had been writing the bill myself; but, so far as immediate relief is concerned, there is nothing else that will grant the immediate relief to the farmer that the debenture plan will give. It would be immediately affective. In my judgment, every cent of it, except themer trifling expense of administration, would go into the pocket of the farmer. He would get it immediately, and it would be reflected in the prices of his products, both those domestically sold and those exported. It would come to him just like a check, and he could go to the bank and realize on it the next morning. It would give him immediate relief. If this bill should be passed with the debenture plan in it, the bankruptcy that hangs over the farmers of this country would be lifted overnight, if the board would put it into effect.—*Extracts, see 1, p. 160.*

Con

Hon. Charles L. McNary—*Continued*

desirable to enchance the price level in that fashion, by arbitrary methods, and if it can be said it would not disturb the economic structure, and in the end would not be disastrous to the farmer, I have no quarrel with those who will support that provision. Indeed, it is a question of judgment. The debenture plan, in brief, is embraced in the bill I have reported, I think in excellent form.

I think that practically sets forth the structure that has been erected by the members of the committee and presented for the consideration of the Senate. In my opinion, if the bill without the debenture is passed, it will not do the whole job, but it will greatly benefit agriculture. It may fall down in some periods when confronted by a surplus which may be abnormal but I have no hesitancy in expressing my opinion that in the long run it will prove the most beneficial legislation that has ever been passed by the Congress of the United States.—*Extracts, see 1, p. 160.*

Con

Hon. Elbert S. Brigham,

U. S. Representative, Vermont, Republican

THERE are many thoughtful farm leaders who sincerely believe that by a system of export bounties or by other means the Federal farm board which we are creating can maintain the price level in this country at a level which is higher than the world price by an amount equal to the tariff, and that this can be done regardless of how much we produce. I have myself been for many years a member of some of the farm organizations whose leaders hold these views, but I am compelled to disagree with them.

Applying this plan to each industry which should suffer from depression and low prices can mean but one thing—that we adopt a new policy, and when we impose a duty upon an article under our tariff law we must set in operation the machinery not only to see that this duty be levied upon each unit of the commodity imported into this country, but also to increase the price of each unit of the commodity produced and sold in this country by the amount of the duty. Under this theory we need, then, not a farm board to do this for agriculture, but a tariff-effectuating board to make the tariff effective for every industry.

When Australia placed an export bounty of 6 cents per pound on butter the answer of Secretary Mellon was to add the amount of this bounty, as the law authorizes him to do, to our tariff upon butter, thereby rendering the Australian bounty inoperative as far as our country is concerned. If we should adopt the policy of the export bounty or the dumping abroad of subsidized surpluses, we could expect nothing but retaliatory measures on the part of other countries to protect their producers. Premier Mussolini has declared it to be his policy to make Italy self-sustaining in the production of wheat and has levied a high tariff to protect the Italian producers. Is it reasonable to expect that he will allow this program to be thwarted by an export bounty paid by this country?—*Extracts, see 2, p. 160.*

Pro

Louis J. Taber
National Master, National Grange

THE export debenture plan is a straightforward attempt to bring tariff benefits to those agricultural products at present unable to take advantage of the protective tariff system because of small exportable surpluses which tend to depress domestic prices to the world level.

Equality between agriculture and the industrial and commercial groups could be restored either by pulling down the artificial high-price structure made possible for these latter groups through such legislative devices as protective tariffs, immigration restriction, railroad rate legislation, exclusive patents and tariff rebates, or the readjustment could be made by enabling agriculture to take advantage of similar devices to raise itself to this same price level and thus meet the difference in costs of production here and abroad. The Grange prefers the latter—the constructive method—rather than the destructive and disruptive method.

Since the inequalities resulting from the tariff system are the chief source of difficulty, the logical and sensible thing to do is to apply the remedy at that point. The export debenture or bounty plan is in fact a recognized supplement to the protective tariff system in many nations today and was proposed by Alexander Hamilton as a part of the original tariff system in the United States.

Stated in the simplest terms, the export debenture plan is an arrangement whereby exporters of those agricultural products of which we produce a surplus, receive from the Treasury Department certificates having a face value established by congress and intended to represent the difference in costs of production between here and abroad, such certificates being negotiable and good for their face value in the payment of import tariffs on any articles later imported.

The farmer, cooperative organization, or commercial exporter may not desire to import directly, but the certificates would be readily negotiable to American importers at a slight discount. Naturally the effect of such an arrangement would be to raise immediately by approximately the amount of the export debenture, the prices of those farm products new held down to the foreign level. This would follow because any holder of these products could readily sell his supply in the foreign market at the foreign price and get in addition thereto the value of the export debenture or certificate. He would therefore be able and willing to pay a higher price, and the general price level for these crops in this country would ascend rapidly by approximately the amount of the export debenture.

The Grange plan provides that at the beginning only one-half the existing tariff rates would be given in debenture payment. For example, the present tariff on wheat is 42 cents a bushel. A cooperative association or grain dealer in Kansas desiring to ship wheat to Liverpool would receive the Liverpool price plus a certificate or debenture having a face value amounting to 21 cents for each bushel exported. Unless the exporter himself desired to bring in goods and use his debentures to pay the import duties or tariffs on these imports, he would sell his debentures to persons in the importing business. Since these debentures would be worth full face value in paying import duties, the importer would be eager to get them and would pay face value, less a nominal exchange discount.

The Grange plan provides that the President may adjust the debenture rates applying to the several farm crops, either

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Hon. A. W. Mellon,
Secretary of the Treasury

AS outlined in a number of bills which have been introduced in Congress, the general plan provides for the issurance of export debentures by the Secretary of the Treasury to exporters of such agricultural commodities, or products thereof, as are specified in the bills or which may be designated by a proposed farm board. The debenture rates are prescribed by the bills, or the board, with power in the board to change the rates from time to time. The rates fixed by the recent bills are half the existing tariff rates on the same commodities, except that for tobacco and cotton the rates have been fixed at 2 cents a pound. The debentures will be receivable at par within one year of date of issue in payment of customs duties. In some of the bills the total amount of debentures that may be issued in any one year is limited in some manner relative to the customs receipts. In others, there is no such limitation. Generally speaking, the bills also provide for a reduction of the debenture rate, and even for total suspension in the event of a very great increase in domestic production of the commodity in question.

The issuance of a Treasury debenture is indistinguishable in principle and in its effect on the Treasury from a cash bounty on exports. Nor is it apparent that payment in debentures rather than in cash offers any advantages. Quite the contrary. If the bounty is paid in cash, the farmer, in whose interests the plan is devised, will more nearly get the full benefit, whereas it is inevitable that he will receive considerably less than the face value of the debenture. The debentures must inevitably sell at a discount if for no other reason than that they involve a certain inconvenience and will entail a considerable cost in handling and marketing, and since they do not bear interest must inevitably be charged with the cost of carrying them until presentation at a customshouse. Ultimately most of them will find their way to New York, where approximately half of our customs receipts are paid, and presumably they will be dealt in there at quotations which may vary widely depending on the amount of debentures issued and the demand therefor, seasonal and otherwise. Machinery will have to be set up for transferring debentures from Galveston, let us say, to New York and for their sale there, which will necessarily involve banking and brokerage charges.

If issued in large amounts, as they may well be, it is likely that the debentures will sell at a very considerable discount which would not only deprive the farmer of a portion of the benefit arising from the debenture rate, but represent a bonus to importers, and would seriously dislocate the tariff schedules fixed by the Congress. It is not apparent, even admitting the desirability of paying an export bounty, why machinery should be set up the effect of which might be to permit the importation of, let us say, butter from Denmark or wool from Australia at rates lower than those established by law. Such a method of reducing tariff rates would unquestionably injure some American farmers in order to benefit other farmers, whereas if a cash bounty were paid the latter would get the full benefit and there would be no dislocation of tariff schedule such as might prove injurious to our present manufacturing prosperity which is an important factor in supporting the farmers' domestic market.

The second major question is whether it is economically

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Pro

Louis J. Taber—*Continued*

upward or downward, to the extent of 99 per cent. Whenever investigations show that the rates set in the act do not cover the difference in costs of production between here and abroad, the rates may be raised. Whenever the exportable surplus increases unduly, the debenture rates may be reduced as a means of discouraging over-production.

With the export debenture plan of farm relief no money would be taken out of the United States Treasury, but of course the cash receipts of the treasury would be less since a portion of the import duties would be paid with debentures instead of with cash as at present. Exactly the same thing happens, however, whenever congress increases tariff rates so as protect our manufacturers against foreign competitors. If the desired purpose is accomplished, imports are shut off and the money from import duties is kept out of the United States Treasury. Theoretically, at least, the money thenceforth goes into the pockets of the American manufacturer and his laborers.

One great advantage of the export debenture plan, as compared with the equalization fee plan, is its extreme simplicity of operation. No complicated machinery is required, no elaborate new boards or commissions, in fact no large appropriation is required, although a modest fund for administration would be needed. The Treasury Department would issue these debentures just as it now issues "drawback" certificates, tobacco revenue stamps, and similar instruments having a recognized value that must be protected. Officials already stationed at export ports are capable of certifying to the amounts of the various crops exported and designating the persons entitled to receive the export debentures.

Opponents of the export debenture plan usually base their opposition on the plea that it is a subsidy. The plan is no more a subsidy than is the protective tariff. The very purpose of our protective tariff is to prevent foreign low-cost goods from coming into the United States. By this means large quantities of dutiable goods are kept out and hundreds of millions of dollars in duties are prevented from entering our treasury. For instance, when the duty on aluminum was more than quadrupled in September 1922 the value of imports dropped from an average of about $2,000,000 for the preceding three years to an average of $514,000 for the succeeding four years, and the net loss in tariffs collected for three years on aluminum hollow ware alone was $391,000. This protection results in great benefits to manufacturers and their employees and the cost of this protection is borne by consumers of these articles; that is, by the general public.

Exactly the same thing happens where the export debenture plan is in operation. Less tariff receipts enter the treasury but the producers of farm crops are benefited. Consumers, including farmers, pay slightly more for some of their foods, as their contribution toward making the protective tariff system actually protective for agriculture. Consumers likewise pay for the benefits expected by farmers under the equalization fee plan as proposed in the McNary-Haugen bill.

The export debenture plan is not as much a subsidy as the tariff draw-back privilege now accorded many American manufacturers, or the tariff reductions given Cuban sugar, greatly to the benefit of American capitalists. Under the tariff draw-back arrangement our manufacturers are actually paid what amounts to an export bounty on goods sold abroad.

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Con

Hon. Andrew W. Mellon—*Continued*

desirable to pay a cash bounty on the exports of a commodity which is already produced in excess of domestic requirements. I think not. Exports would be stimulated, and, under the pressure of a consequent decreased domestic supply, domestic prices would rise. This would stimulate increased production. In the meanwhile, increased exports dumped on the world market would depress world prices, thus depriving the producer of the full benefit of the contemplated bounty. There is no doubt, I think, but that the effect of this program would be to depress world prices and to increase domestic prices, and to give to the American producer a price higher than he would otherwise obtain, the increase, however, not being by the full amount of the cash bounty. But as production increased in this country under the stimulus of higher domestic prices, there would be a constant tendency for the bounty benefit to melt away.

It is true that, recognizing this tendency, the various plans proposed provide in the event of sharply increased production for a gradual diminution of the bounty, and even its entire suspension. As framed, however, this action would appear to be too long delayed to be truly effective; and there is a very real danger that a substantial increase will take place in domestic production, leading to the automatic suspension of the bounty, and that all farmer will then find himself in a worse situation than he is to-day.

The truth is that the real justification for a bounty on exports is to encourage domestic production up to a point where the country will be economically self-sufficient. The principle has no application where a country is already producing more than enough to meet its domestic requirements, and under these circumstances an export bounty would seem to be an illogical and unsuitable instrument for effecting a readjustment of domestic prices.

The experience of European countries with bounties on sugar may be of interest in connection with this proposal for a bounty on American agricultural products. The original purpose of the foreign bounties was to stimulate production rather than to increase the income of the agricultural population. A cash bounty was paid the producers of sugar and the results desired were obtained. In Germany it was planned to cover the costs of the production bounty on sugar by collections from an internal-revenue tax on the domestic consumption of sugar, but production increased so far out of proportion to the domestic consumption that within a comparatively few years the net effect was not to produce revenue. Some time thereafter the sugar bounties so far exceeded the revenue from the sugar tax that the Treasury sustained a considerable loss, while sugar was being sold abroad at considerable less than the domestic price, and somewhat less than the actual cost of production. Consequently, the bounties on such sugar production had to be removed. There were no limits to production in the granting of such bounties.

Moreover, it is hardly to be assumed that foreign countries with important agricultural interests to protect will permit their producers to be subjected to a price war subsidized from the United States Treasury without adopting protective measures. It is highly probable, therefore, that that will levy countervailing tariff rates equal in amount to our export bounty, thus entirely nullifying the effect of the latter as an aid to our producers and drawing the amount of the bounty funds into their own treasuries. The United States was one of the first nations to place countervailing

Continued on next page

Pro

Louis J. Taber—*Continued*

They receive cash payments from the government in proportion to the amount of goods exported. This practice is based on the theory that our manufacturers should not be compelled to pay duties on raw materials imported for manufacture and later include in manufactured articles sold abroad. It is contended that the manufacturer cannot afford to pay the protected domestic price for these imported materials if he is to sell aboard at world price levels. This is exactly the contention of the American farmer; he cannot pay the protected price for labor, supplies and other production factors and at the same time sell at the foreign price level not only abroad but at home as well.

Our government allows Cuba a 20 per cent reduction on sugar duties. This gives Cuba a great advantage over other foreign countries and is a tremendous benefit to American capitalists who now dominate the Cuban sugar situation, as well as to American manufacturers who sell goods to Cuba. Incidentally this 20 per cent tariff reduction removes by just that degree the tariff protection needed by sugar cane and beet farmers in the United States. This special concession to Cuba, and indirectly to American capital and industry, has kept out of the United States Treasury sugar duties amounting to not less than $135,000,000 in the last five years.

The farmer is asking merely that there be applied to his problem some of the same spirit of tariff adjustment and modification as is already being used to accommodate industry and capital.

The Grange plan definitely limits the maximum amount of debentures in any year to 50 per cent of the tariff revenues. At the debenture rates proposed, it is estimated that the average value of debentures issued on agricultural exports during the past five years would have been about $146,000,000.

The United States Treasury would pay out nothing. But revenues from import duties would be reduced—just as they are reduced by the Cuban sugar tariff differential, draw-back privileges and prohibitive tariffs—and this amount would have to be made up in other ways. Some of it could be secured through tariffs on other food products that compete with American agriculture—tropical fruits, for instance. If instead of reducing corporation taxes the present schedule of tax rates be retained for a time, the receipts would probably be ample to make up for any decline that might result in import revenues. Surely, industry and labor would profit from improved agricultural conditions far more than from the tax cut that is contemplated at the present time.

Food costs need not be increased to any appreciable extent and in many instances not at all. The price paid by the consumer bears so little direct relation to the price received by the farmer that the increase in the wholesale price might be entirely offset by more efficient distribution. For instance, the wheat in the average 8.55 cent loaf of bread costs only 1.15 cents, according to a recent report of the Federal Trade Commission. Allowing the proposed 21 cent increase in the price of a bushel of wheat under the export debenture plan, this would amount to only about .15 part of a cent increase in the cost of the wheat required in the loaf of bread. Since the margin between the baker and the consumer is about 6.5 cents, this added small fraction of a cent in cost could readily be covered through better efficiency in distribution and cause no increase in the retail price of bread.

The increased income which would come to farmers with the export debenture plan in operation, would act as a

Continued on next page

Con

Hon. Andrew W. Mellon—*Continued*

duties against the bounty-produced sugars of the various European countries.

It is apparently contemplated to apply the plan to products of which we produce a surplus and which are on the free list, notably cotton. This must inevitably give rise to insuperable administrative difficulties in order to avoid wholesale fraud. Again, considerable difficulty is now encountered in the administration of the customs laws in determining the component material of chief value in an imported article. In the light of this experience there would be even greater administrative problems in working out the debenture or bounty rate in the case of articles manufactured from agricultural products.

It seems unnecessary to point out that the program will, of course, entail a sharp diminution in customs receipts accompanied by increased expenses of administration and a corresponding need for supplementing the loss by increased taxation along other lines. This in itself is by no means a serious objection if the plan could fairly be said to promise substantial benefit to American agricultural producers. —*Extracts, see 3, p. 160.*

Con

Hon. Arthur M. Hyde, *Secretary of Agriculture*

THE export debenture plan proceeds upon the hypothesis that it should be the policy of the Government to raise the level of domestic prices for farm products and to dispose of the surplus upon the world markets at the Government's expense. The discussion of the plan which follows is based on this hypothesis and logically falls under four heads: (1) Would the debenture plan be an effective and convenient means of accomplishing this purpose? (2) What would be the probable cost of this plan? (3) What would be the probable consequences to agriculture of the operation of this plan? (4) What has been the experience of foreign countries that have tried somewhat similar plans?

My comments will be confined to the seven specified commodities. The Secretary of the Treasury is directed to issue to any exporter, under regulations prescribed by the Federal farm board, export debentures in the form of negotiable certificates upon the exportation of debenturable farm products. The following rates are specified:

(1) Swine, one-quarter of 1 cent per pound; fresh pork three-eighths of 1 cent per pound; bacon, hams, shoulders, and other pork, prepared or preserved, 1 cent per pound; lard, one-half of 1 cent per pound.

(2) Cattle weighing less than 1,050 pounds, three-fourths of 1 cent per pound; cattle weighing 1,050 pounds or more, 1 cent per pound; fresh beef and veal, 1½ cents per pound.

(3) Corn and maize, including cracked corn, 7½ cents per bushel of 56 pounds; corn grits, meal, and flour, and similar products, 15 cents per 100 pounds.

(4) Paddy or rough rice, one-half of 1 cent per pound; brown rice (hulls removed) five-eighths of 1 cent per pound; milled rice (bran removed), I cent per pound; broken rice, and rice meal, flour polish, and bran, one-quarter of 1 cent per pound.

(5) Wheat, 21 cents per bushel of 60 pounds; wheat flour, semolina, crushed or cracked wheat, and similar wheat products not specially provided for, 52 cents per 100 pounds.

(6) Cotton, 2 cents per pound.

(7) Tobacco, 2 cents per pound.

The debenture certificate would be negotiable and re-

Continued on next page

Pro

Louis J. Taber—*Continued*

stimulus to the various lines of commercial activity. The farmer must of necessity spend nearly all he makes and the manufacturer, distributor and banker would each get their share of this increased business. But in the process new life would be put into agriculture and the farmer encouraged to go ahead with his program of self help and improved efficiency in production and marketing. The economic structure would again be in more equitable relationship as between the various groups and all would have benefited through the readjustment.

Pro

Dr. Charles L. Stewart,

Department of Economics, University of Illinois

IF a bounty of 5 cents a bushel should be given by the Government on all wheat exported from this country, in my opinion the farmer or producer would receive the full benefit of that bounty and not the speculator or exporter. It would simply enable the buyer to pay that much more than he otherwise could pay or would be justified in paying. Competition would force him to pay all he could to the farmer to obtain his wheat. It would be for the interest of the exporter to obtain the wheat; that would be his object. Competition would force him to secure it by every possible means without loss to himself. His great object is to maintain his business, to enlarge his business. Competition would impel him as it now impels him to give every cent that he can possibly afford to secure the product which he seeks to export. The fierceness and intensity and volume of competition, by the very force of circumstances, by the very necessities of the case would drive the 5 cents bounty proposed by the Government into the pockets of the farmer or producer. There it would land and from there it could never be wrested by speculators or by anybody else.

Question. It is also admitted by some that the 5 cents would come in some way to the producer for the quantity that would be exported, but that there would be no advance on the greater quantity remaining for home use.

Answer. It is a mistake, in my opinion, to say that the 5 cents per bushel bounty which it is proposed to give would be confined in its beneficial results to the quantity or volume of grain exported. It would affect the price of the entire crop, for the reason that grain is a surplus crop in this country, and consequently the price per bushel of this grain is fixed and controlled by the export price of this grain, and this export price, of course, I will here say parenthetically, is made in competition with all the other surplus wheat-producing countries in the world. No domestic buyer will pay one single fraction of a cent more for a single bushel of wheat than the buyer for export will pay. The latter makes the price for the entire crop. If no more wer eraised than was required for home consumption the price would depend upon the domestic demand; but the export demand is a continuous demand, inasmuch as the demand for food can never be interrupted for any length of time, and this continuous demand for wheat, so far as a surplus wheat-producing country is concerned, fixes the price of the entire crop of this cereal of that country.

Con

Hon. Arthur M. Hyde—*Continued*

deemable at par by the bearer in the payment of import duties within one year from the date of issuance. Except in so far as exporters of debenturable commodities are also importers, the certificates necessarily would be sold sufficiently below par to induce importers to use them in preference to cash in the payment of import duties. Foreign experience shows that import or export certificates usually sell at some discount from par value. To the extent, at least, of such discount, the farmer would lose the full effect of the subsidy in the price he received of the amount of such debenture certificates.

Revenues from import duties would be reduced by the total face value of the debentures issued. The extent of this loss to the Treasury would equal the debenture rate times the quantity exported of each of the debenturable commodities. If the plan had been in operation in the three fiscal years 1926 to 1928 on the basis of the volume of exports in those years, the annual average loss to the Treasury on account of the seven commodities specified in the bill would have been $153,0000,000, or 26,2 per cent of the average of all customs receipts for these years.

In practice, however, the loss to the Treasury would have been greater than indicated in this table, because of increased exports. An increase in the price of these products by the amount of the export debenture (less the figure at which the certificates would have sold below par) probably would have stimulated production and would have tended to decrease domestic consumption. The degree to which production might be stimulated, however, would depend upon the level of prices resulting from the use of the debentures and the prospects for increased incomes through the expansion of farm operations.

The administration of the proposed plan would not be difficult. On a strictly theoretical basis it should increase the domestic price of each debenturable farm commodity by the amount of the export debenture, less the discount on the certificate and provided competition between exporters in bidding up the domestic price were sufficiently effective to hold the price of the commodity up to the full amount of the world price, plus the debenture, less the discount on the certificate.

Applying the debenture rates to the average estimated sales by farmers of debenturable commodities for the three fiscal years 1926 to 1928 gives an annual average increase of $515,000,000 in the gross value of the seven debenturable products marketed by farmers. As a matter of fact, this sum could hardly be realized, because, as already indicated, it is not reasonable to assume that the debenture rate could be translated in full into higher prices to producers, since the debentures would exchange only at some discount. Furthermore, it is possible that exporters may not bid prices up to the full extent of the debenture less the normal exchange discount on the certificate. It is therefore possible that exporters might be in a position to derive an extra profit by not reflecting in prices paid to farmers the real value of the debentures. In order to dispose of the surplus the exporter would have to make some price concessions to meet the competition from other countries and this would tend to depress world prices.

As a consequence of an increase in domestic prices of debenturable commodities, production would be stimulated. Production of debenturable commodities has materially increased following the adoption of debenture plans in foreign

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Pro

Debenture Plan Committee

National Grange

THE producers of farm products, who are unable to secure the benefits of protective tariff because they export a portion of their goods, should be permitted to secure equivalent benefits by means of export equalization debentures, which, in effect, are export premiums resulting from waiver of tariff.

2. Import tariff duties and export debenture premiums are inseparable parts of a sound and complete program of national economic development.

3. In order to make import duties and export debentures equitably effective for easing such situations as the present agricultural depression, the executive agencies, which would carry out the will of the Congress, should be as far removed as possible from political bias and political pressure.

This principle of equitable adjustment, now so urgently required by agriculture, might at some later date and under circumstances similar to those now existing in agriculture, be applied in behalf of other industries.

Export debentures are import drawbacks, instruments of tariff remission for equalizing the effects of the tariff and of other established Federal policies now contributing to agricultural depression.

Export debentures would enable those portions of our staple products which must seek markets abroad to attain and hold that to which they are equitably entitled, namely, a higher value in exchange for dutiable goods from foreign lands. This enhanced value would apply to the total production of the debenturable staples.

A sound debenture policy to lift penalties from the export branches of our agriculture requires that debentures should be utilized upon individual products only during periods in which exportable surpluses are depressing the domestic market. Over-stimulation of the production for foreign sale of any debenturable commodity should be guarded against by provisions for automatic and rapid reduction of its debenture rate for the ensuing period. Manufacturers using farm products, and livestock and dairy producers and other agricultural producers, whose costs may be increased because of their use of debenturable raw materials should be compensated for these increased costs by adjusted rates of duty and debenture.

Farm relief through export debentures depends neither upon appropriations nor special taxes. By debenture method farm relief can be attained with administrative simplicity, directness and economy of operation.

Export debentures will not interfere with established marketing machinery and will place no disadvantage upon those who use cooperative methods in buying or selling products. Without impairing established duties and without special advantage or disadvantage to any importing agency, export debentures would make our tariff system effective on those products which have exportable surpluses: Therefore be it

Resolved, That the National Grange reaffirms its former declaration supporting the export debenture plan as the most effective and workable farm relief plan, applied independently or in coordination with other sound remedies, and on this basis stands ready to cooperate with any group or organization in bringing about immediate relief.

Con

Hon. Arthur M. Hyde—*Continued*

countries. In an effort to prevent overstimulation in this country H. R. 12892 (section 8b) provides for a so-called flexible rate of debentures. If the board should find that the average annual production of any debenturable livestock commodity or the average acreage of any other debenturable agricultural commodity "for the last two preceding years has exceeded the average annual production or acreage of such commodity from the seventh to the third preceding year, the board may invoke the flexible debenture." If this increase should be more than 5 per cent but less than 10 per cent, the debenture rate would be reduced 25 per cent. Should the increase be 10 per cent but less than 15 per cent, the reduction would be 50 per cent, and should the increase be 15 per cent or more, the "issuance of debentures shall be suspended for a period of one year."

It is very doubtful that the flexible-rate provision of the bill would have any material influence in checking the expansion in production. The average annual acreage of wheat harvested in the past five years has been, in round figures, 55,500,000 acres. Under the proposed plan, the producers would be free to increase their average acreage in the first two years of this debenture plan by 5 per cent before being obliged to accept a reduction of 25 per cent in the export debenture. In other words, the farmers could increase the acreage from 55,500,000 to more than 58,000,000 acres before the export debenture of 21 cents would be reduced to 15¾ cents. It is hardly reasonable to suppose that the farmers who harvested an annual average of about 55,500,000 acres of wheat in the past five years for an average price of about $1.20 per bushel would be induced not to expand production by the fear of having to accept an increase of only 15¾ cents over this price instead of an increase of 21 cents, the full amount of the debenture.

It appears from our study of the effect of export debentures in other countries that it has operated to increase production. In Germany from 1890-1893 to 1909-1913, under the operation of the plan, the acreage of wheat remains substantially the same, but that the average production increased from 104,000,000 to 152,118,000 bushels, an increase of 46 per cent. In the same country the acreage in rye increased from 14,203,000 to 15,387,000, whereas the average production increased from 245,449,000 bushels to 445,222,000 bushels, an increase of 81 per cent. Substantially the same results were realized with respect to oats and barley. The experience with it in Sweden has been for a relatively short time, but it appears that the wheat area of that country has expanded from 363,000 acres in 1925 to 574,000 acres in 1927, and that the average production has increased from 13,359,000 bushels to 16,151,000 bushels. This increase in yields no doubt was due partly to the increased use of fertilizers and better cultural methods in Germany as in other countries.

As a consequence of the operation of the debenture plan, there would be a tendency in farming to shift from many lines of production toward the production of debenturable commodities, especially those with a short production cycle —grain and cotton, for example—the acreage of which could be increased greatly from one year to the next in the expectation of realizing quickly the benefits of the debenture. This would at least temporarily disturb established production programs. Furthermore, should the support of prices provided through this plan be removed, the debenturable commodities would be left in an overstimulated condition and agriculture would stand to suffer accordingly.

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Pro

A. S. Goss,

Member, Executive Committee, National Grange

IN its essence the export debenture plan of farm relief, is intended to bring tariff benefits to the farmers who are engaged in growing crops of which we produce an exportable surplus. Under the operations of the plan, certificates known as export debentures would be issued by the customs officials to the exporters of farm commodities coming within the scope of the act. Among the products considered are wheat, cotton, corn, tobacco, rice, meat and manufactures thereof.

The certificate issued to the exporter would be negotiable and would be redeemable at its face value in payment of import duties. Since the exporter of any debenturable commodity would be able to get for it the world price in addition to the debenture value, it is plain that competition among exporters would automatically reflect the increased price back to the farmer.

In general, the rates proposed in the bills introduced in the Seventieth Congress by Congressmen Ketcham and Jones would equal about half of the present tariff rates on the commodities mentioned in the bills. It was shown at hearings held before the House Committee on Agriculture that if the plan had been in operation during the five preceding years at the rates suggested, its cost would have been approximately $147,000,000 per year.

The justification for the plan lies in the fact that those who produce our exportable farm surpluses, in common with the rest, are obliged to pay tariff costs, while they are compelled to sell their products in the world's market at the world's price. While these producers are paying the higher prices occasioned by our tariff system, they are not receiving corresponding benefits. For example, the present 42c tariff on wheat is rendered largely ineffective because our surplus must be sold in the world market, and the price at which the surplus is sold determines to a great degree the domestic price.

The disadvantages under which the export branches of American agriculture now labor cannot be fully removed by any plan of cooperative marketing, however perfect. Unless tariff benefits corresponding to those enjoyed by other groups are made available, there can be no complete equality for the farmer. The cooperative marketing measures now under consideration are the outgrowth of the original Grange marketing program and have our heartiest support, but we believe that this program cannot be made 100 per cent effective unless the export debenture plan is put into effect as a complement to our tariff system.

The idea is not new and has already been recognized in the principle underlying the drawback which is familiar to all those who understand the workings of our protective system.

Con

Hon. Arthur M. Hyde—*Continued*

An inquiry might well be made into the probable effect of the debenture plan upon existing farming. In some sections, notably the South, where leaders of agricultural thought are putting their efforts behind programs of diversified farming, it might result disastrously by putting a premium upon the one-crop system. The same inquiry might well be made with reference to those States which have made considerable advancement in developing the diary industry.

It should be noted also that an increase in our exports of a commodity would tend to depress world prices. This would tend to reduce the effectiveness of the debentures and necessitate further increases in debenture rates in order to maintain prices.

While the debenture bill provides for flexible debenture rates with respect to an increase in production, it does not provide a means for making debenture rates responsive to changes in world prices. If, for instance, world conditions of competition and demand affecting a debenturable commodity should be such as to raise the world price to a satisfactory level, there is no provision in this bill for reducing debentures. Should the world-price level of a commodity rise materially, there would still be an enhancement of the domestic price above the world level by the amount of the effective debenture. This would tend to give an abnormal stimulus to production.

In considering this or any similar plan, it is important to give careful consideration to both sides of the proposal lest the alluring prospects of an immediate increase in prices of the debenturable commodities should obscure the dangers that go with such a plan.—*Extracts, see 3, p. 160.*

Con

Hon. James B. Aswell,

U. S. Representative, Louisiana, Democrat

I WENT to Europe and studied the debenture question for several months in the countries of Germany, Belgium and Sweden, and also in Czechoslovakia. The conditions in these countries are vastly different from conditions in the United States. When I left that study I was convinced that the debenture plan will not work in the United States, for the reason that we are so large and have so many commodities and such a large acreage. It applies, for instance, in Germany to wheat and rye, and the return applies to the products of wheat and rye and nothing else in Germany. It has been abandoned in England completely, and in the little country of Belgium it works on only a few articles. I would never vote for any plan that would bring the farmers of the United States into the state of poverty that the farmers of Czechoslovakia are in. In my humble judgment I will say that I have no objection to the debenture plan as such. It would apply to two commodities, wheat and cotton and perhaps tobacco; but I remember that the commodities of cotton and wheat constitute less than 18 per cent of the products of the United States, and we would have the other products of the United States paying tribute to these two commodities. It would not work in the United States.—*Extracts, see 2, p. 160.*

A Glossary of Farm Legislation Terms

By Chester H. Gray
Washington Representative American Farm Bureau Federation

Agricultural Commodities — These include all products produced on the farm. It is proposed that the Federal Farm Board may extend aid in the marketing of any of these commodities either singly or in combinations or of regional types of the same commodity.

Commodity Advisory Committees—These committees consist of representatives selected by cooperative marketing associations to advise with the Federal Farm Board concerning the marketing of farm commodities. A separate committee is to be provided for each commodity.

Clearing House Associations—Distributing agencies organized by cooperative associations or by producers to correlate the movement of a commodity to market and develop efficient distribution. They may include in their membership commission dealers or other commercial agencies engaged in distributing farm crops.

Cooperative Associations—These associations are divided into two general classes: cooperative purchasing associations and cooperative marketing associations.

Cooperative Purchasing Associations — Organizations of farmers which purchase their farm supplies cooperatively instead of individually.

Cooperative Marketing Associations — Organizations of farmers which sell their products collectively instead of individually. Each association usually handles a single commodity or a closely related group of commodities.

Debentures—Certificates to be issued by the Secretary of the Treasury to any exporter of an agricultural commodity. They are transferable and may be used at face value for the payment of customs duties on any imported commodity. The amount of the debenture allowed per unit of the commodity is a fixed percentage of the tariff duty on that commodity.

Domestic Price—The average price of a commodity prevailing in the principal markets of the United States during a given period.

Dumping—The sale of a commodity in foregn markets at a cheaper price than in the home markets or below the cost of production.

Equalization Fee—A charge to be collected on each marketed unit of a commodity whereby the burden of disposing of the surplus of that commodity is distributed equitably over the entire crop benefited instead of being borne entirely by the members of a cooperative association, or by the Federal Government.

Equalization Fund—The money secured by the collection of an equalization fee. It would be used to defray the expense of disposing of the surplus, including the repayment of losses incurred in selling the exportable surplus abroad at the lower world price in order to prevent the depression of domestic price on the bulk of the commodity below a level equal to the world price plus the tariff.

Federal Farm Board—An agency to be established by Congress to execute its policies and extend the aid proposed by Congress to agriculture.

Federal Farm Loan Board—An agency in the Treasury Department which was created to supervise and regulate the operations of the Federal land banks, the Intermediate Credit Banks and the Joint Stock Land Banks, which extend long-term loans to agriculture.

Insurance Agreement—A provision whereby the Federal Farm Board is to contract with a cooperative to insure it against decline in the price of a commodity handled by that association for its members.

Marginal Lands—Those lands which are just barely suited for the use to which they are put. Popular usagge of this term often includes also sub-marginal lands which are those that are clearly unsuited for the uses to which they are put.

Market Gluts—These refer to a condition in which the supply of a commodity which is offered for sale at a given period of time exceeds the demand at that time.

Orderly Marketing—The selling of a commodity at a time when our consumers want it and in the form that they want it.

Price Stabilization—This seeks to eliminate the violent fluctuations in prices upward and downward and to bring about a more uniform price on an equitable level. It may also refer to the stabilization of the value of the dollar so that it will remain reasonably constant in exchange value.

Processors—Those agencies which process agricultural commodities in some way during the marketing process between the producer and the consumer. Meat packers, cheese factories, flour millers, canners, etc., are processors.

Revolving Fund—A sum appropriated by Congress to be used by the Federal Farm Board in making loans to cooperative associations, stabilization corporations, and clearing house associations for various purposes.

Stabilization Corporation—An agency to be created by one or more co-operative associates to act as their marketing agent and to acquire control of and dispose of the surplus of the same commodity handled by those associations.

Surpluses—There are many kinds of surpluses and the terminology used to designate these kinds is not standardized, but varies considerably. The following definitions cover different types of surpluses, even though there may be disagreement as to the names to be applied to them.

Regional Surpluses refers to a surplus which is produced above the needs of one particular region of the country. There may be regional surpluses in a year when the total national supply is deficient.

Exportable Surplus refers to the excess above the requirements for domestic consumption, and beyond the control of the processes of orderly marketing.

Seasonal Surplus refers to the amount produced in excess of the consumption for a particular season or period of the year.

Carry-Over refers to the amount available in excess of consumption during a marketing period and which must be carried over into a succeeding period.

Absolute Surplus refers to the amount produced in excess of the total consumptive demand and which can not be disposed of.

Tariff Effectiveness—A condition in which the domestic price of a commodity tends to equal the world price plus the amount of the import duty on that commodity.

World Price—The average price of a commodity prevailing in the principal markets of foreign countries during a given period.

The 71st Congress

Duration of the 70th Congress, March 4, 1929-March 4, 1931

First, or "Special" Session, Convened April 15, 1929.

Second, or "Long" Session, Begins December 2, 1929.

In the Senate

Membership

Total—96

55 Republicans 39 Democrats

1 Farmer-Labor

1 Vacancy

Presiding Officer

President: Charles Curtis, R.

Vice-President of the United States

Floor Leaders

Majority Leader	*Minority Leader*
James E. Watson, Ind., R.	**Joseph T. Robinson, Ark., D.**

In the House

Membership

Total—435

267 Republicans 163 Democrats

1 Farmer-Labor

4 Vacancies

Presiding Officer

Speaker: Nicholas Longworth, R.

Member of the House from Ohio

Floor Leaders

Majority Leader	*Minority Leader*
John Q. Tilson, Conn., R	**John N. Garner, Tex., D.**

The Coming Month in Congress

***By* Norborne T. N. Robinson**

Farm Relief—The Tariff—Reapportionment—Immigration

WITH the Federal Farm Board Bill passed by the House and due to be passed by the Senate early in May, the first item in the Administration's extra session program will have been disposed of on schedule time. Senate leaders are hopeful of obtaining a final vote on the bill by May 3 and certain that the bill will be disposed of by the Senate not later than May 6 or 7.

Farm Relief and Tariff.

If the bill is passed without the export debenture feature it is expected to encounter few difficulties in conference. There are minor differences between the House and Senate bills which will probably require a conference, but leaders in both the House and Senate feel that these differences can be easily ironed out; that a conference report can be brought out that will be acceptable to both Houses and that the bill can be sent to the President about May 15.

Facing the next item on the program, the Tariff Bill, the House leaders expect that measure to come from the Committee on Ways and Means between May 3 and May 6. When the bill is reported a special rule will be brought in for its consideration, fixing the length of debate. It had been anticipated by House leaders that the Tariff Bill would be brought to a vote in the House by May 15, but the members of the Committee on Ways and Means were unable to complete the draft of the bill as promptly as they had expected, and leaders now expect that that vote will be taken between May 20 and May 29.

In the meantime the Senate, after disposing of the Farm Board Bill and while the House is debating the Tariff Bill, will take up the Census and House Reapportionment Bills and follow these with the bill for the repeal of the National origins provision of the Immigration Act.

Reapportionment and National Origins.

The House passed a Census Bill and a Reapportionment Bill during the last session of Congress, and House leaders feel that since both these measures failed of passage in the Senate it is the duty of the Senate at this time to take the initiative in acting upon them.

The Census Bill is not the subject of particular controversy as it merely makes provision for taking the Fifteenth Census in 1930, work on which, officials of the Bureau of the Census report, should begin in the autumn of the present year. This work requires an appropriation.

The Reapportionment Bill, however, will be vigorously opposed by Senators from those States whose representation in the House would be reduced.

Following the Reapportionment Bill will come the bill to repeal the National Origins provision. This, also, is highly controversial.

If both the Reapportionment Bill and the National Origins Bill are held too long by the Senate without action, the House may initiate them, but House leaders are hoping that they will come from the Senate with reasonable promptness, so the House can have something to do after it passes the Tariff Bill.

Action Taken by Congress

A Daily Summary of the Proceedings of the House and Senate

April 15, 1929 to April 20, 1929

Note—This department contains a record of action on the floor of the House and the Senate. By following it from month to month the reader obtains a compact but complete review of the work actually done by Congress throughout the session. The principal abbreviations used are the following: H. R. means House bill; H. Res. means House Resolution; H. J. Res. means House Joint Resolution; H. Con. Res. means House Concurrent Resolution; S. means Senate Bill; S. Res., Senate Resolution; S. J. Res., Senate Joint Resolution, and S. Con. Res., Senate Concurrent Resolution. If reference is made to the consideration or action by the Senate of a House bill or resolution, it means that the House has passed it and sent it to the Senate, and vice versa.

Monday, April 15, 1929.

Senate:

Charles Curtis, of Kansas, Vice-President of the United States, called the Senate to order at 12 o'clock noon, beginning the first session of the Seventy-first Congress.

The opening prayer was delivered by Rev. Joseph R. Sizoo, D. D., minister of the New York Avenue Presbyterian Church, Washington, D. C.

Seventy-four Senators were present.

The Chief Clerk read President Hoover's proclamation of March 7, 1929, calling the Congress to convene in extra session on March 15, 1929.

Received the certificate of appointment of Hon. Henry J. Allen, a Senator from Kansas, to fill the unexpired term of Charles Curtis.

Senators who had not taken the oath of office were sworn in.

Agreed to S. Res. 4, for the appointment of two Senators to notify the President that a quorum of each House of Congress had assembled and that Congress was ready to receive any communications the President might be pleased to make.

Messrs. Watson, Ind., R., and Robinson, Ark., D., were appointed members of the Committee.

Agreed to S. Res. 5, that the Secretary inform the House of Representatives that a quorum of the Senate was assembled and that they were ready to proceed to business.

Agreed to S. Res. 6, that the hour of daily meeting of the Senate be 12 o'clock meridian, unless otherwise ordered.

Adjournmnt out of respect for Myron T. Herrick, late Ambassador to France.

House:

William Tyler Page, Clerk of the House of Representatives, called the House to order at 12 o'clock noon.

The opening prayer was delivered by the Rev. James Shera Montgomery.

Four hundred Representatives were present.

The Clerk stated that credentials had been filed showing the election of Victor S. K. Houston as Delegate from the Territory of Hawaii; of Dan A. Sutherland as Delegate from the Territory of Alaska; of the two Resident Commissioners from the Philippine Islands, Camilo Osias and Pedro Guevara, and of a Resident Commissioner from Porto Rico, Felix Cordova Davila.

It was announced that Nicholas Longworth, O., R., was nominated unanimously by the Republican caucus and John N. Garner, Tex., D., by the Democratic caucus for the office of Speaker of the House. Representative Longworth was elected by a vote of 254 to 143. Representative Gilbert N. Haugen, Iowa, R., the Member longest in continuous service in the House administered the oath of office to the Speaker-elect. Representative Longworth addressed his colleagues.

The oath of office was administered to the new members and delegates.

The Senate message announcing the passage of S. Res. 4, 5, and 6 was read.

Representative Hawley, Ore., R., Chairman of the Republican caucus, announced the election of John Q. Tilson, Conn., R., as majority leader of the House of Representatives.

Agreed to H. Res. 1, for the election of William Tyler Page, to be Clerk of the House of Representatives; Joseph G. Rodgers, Pa., Sergeant at Arms; Bert W. Kennedy, Mich., Doorkeeper; Frank W. Collier, Wis., Postmaster, and Rev. James Shera Montgomery, D. C., Chaplain.

Agreed to resolutions of notification to the Senate and the President of the presence of a quorum and the election of the Speaker and the Clerk.

Representatives Tilson, Conn., R.; Garner, Tex., D., and Hawley, Oregon, R., were appointed members of the Committee to inform the President of the assembling of Congress.

Agreed to H. Res. 6, adopting with an amendment, the rules of the House of Representatives in force at the close of the Seventieth Congress as the Rules of the House of Representatives of the Seventy-first Congress.

Several resolutions for deceased members were adopted.

Adjourned out of respect for deceased members of the House.

Tuesday, April 16, 1929

Senate:

Mr. Watson, Ind., R., reported that President Hoover had been officially notified that Congress was in session.

The Chief Clerk of the Senate read President Hoover's message to Congress.

Adopted resolutions of regret at the death of Hon. Charles W. Roark, late a Representative-elect from Kentucky and Hon. Whitmell Pugh Martin, late a Representative-elect from Louisiana.

Adjourned out of respect to the deceased Representatives, until noon, Thursday, April 18, 1929.

House:

Members not present on opening day were sworn in.

Adopted resolution authorizing the Speaker of the House of Representatives or a deputy named by him to administer the affirmation of office to W. W. Griest, Pa., R., at Lancaster, Pa., because of his illness.

Representative Tilson, Conn., R., reported that President Hoover had been officially notified that Congress was in session.

The Speaker of the House of Representatives, William Tyler Page, read President Hoover's message to Congress.

Agreed to H. Res. 16, electing majority and minority mambers of the Committee on Rules, Ways and Means, and Agriculture.

Agreed to H. Res. 16, electing majority and minority members mittees on Rules, Ways and Means, and Agriculture.

Agreed to H. Res. 18, authorizing the Ways and Means Committee to sit during the sessions and recesses of Congress and to employ such services as necessary.

Adjourned.

Wednesday, April 17, 1929

Senate:

The Senate was not in session.

House:

Several Representatives-elect were sworn in.

Representative Snell, N. Y., R., obtain unanimous consent for the consideration of H. R. 1, the Farm Relief bill on Thursday, April 18, 1929.

Representatives Black, N. Y., D.; Reid, Ill., R., and others spoke on the Federal Reserve System.

Representative Cartwright, Okla., D., announced the death of Hon. Charles D. Carter, a former Representative from Oklahoma.

Representative Strong, Kans., R., and others spoke on the Federal Reserve System.

Adjourned.

Thursday, April 18, 1929

Senate:

Several bills and resolutions were introduced.

Mr. McNary, Oreg., R., introduced a new Farm Relief Bill, S. 1, embodying the bounty or debenture plan.

Mr. Vandenburg, Mich., R., spoke on the Apportionment of Representatives in Congress.

Adjourned until Monday, April 22, 1929.

House:

Several members were sworn in.

Under special rule discussed H. R. 1, the Farm Relief bill

Representatives Williams, Ill., R.; Aswell, La., D.; Purnell, Ind., R., and others spoke on the bill.

Representative Haugen, Iowa, R., gave an outline of the farm relief program.

Representatives Adkins, Ill., R., and others spoke on the bill.

Adjourned.

Continued on page 160

EXECUTIVE DEPARTMENT

The White House Calendar

April 1 to April 18

Executive Orders

April 1—An executive order extending for ten years the period of trust on allotments made to Siletz Reservation Indians in Oregon.

April 8—An executive order making available on July 1, 1929, the money appropriated for the Temporary Government of the West Indian Islands.

April 10—An executive order modifying the boundaries of the Crook National Forest, Arizona.

April 15—An executive order reserving for use by the Department of Agriculture the Nunivak Island, Alaska, for experiments in crossing reindeer and caribou and raising musk oxen and as a bird and game refuse.

April 8—A proclamation of the convention of Inter-American Conciliation.

April 12—A proclamation withdrawing and setting apart two areas in Grant County, Utah, to be known as the Arches National Monument.

April 13—A proclamation of the Treaty of Arbitration between the United States and Czechoslovakia.

April 13—A proclamation of the Treaty of Conciliation between the U. S. and Czechslovakia.

April 17—A proclamation of the Arbitration Treaty between U. S. and Sweden.

Important Civilian Appointments

April 16—Charles G. Dawes, of Illinois, to be Ambassador to Great Britain.

April 16—Sidney C. Brown, of Lakeland, Fla., to be collector of customs for customs collection district No. 18, with headquarters at Tampa, Fla.

April 16—Patrick Jay Hurley, of Oklahoma, to be Assistant Secretary of War.

April 16—Ernest Lee Jahncke, of Louisiana, to be Assistant Secretary of the Navy.

April 16—David Sinton Ingalls, of Ohio, to be Assistant Secretary of the Navy.

April 16—Rear Admiral William A. Moffett to be Chief of the Bureau of Aeronautics, in the Department of the Navy.

April 16—Pay Director Joseph J. Cheatham to be Paymaster General and Chief of the Bureau of Supplies and Accounts, in the Department of the Navy.

April 16—Joseph M. Dixon, of Montana, to be First Assistant Secretary of the Interior.

April 16—Charles J. Rhoads, of Pennsylvania, to be Commissioner of Indian Affairs.

April 16—William L. Thurber, of Massachusetts, to be Examiner in Chief in the U. S. Patent Office.

April 16—Charles McK. Saltzman, of Iowa, to be a member of the Federal Radio Commission.

April 16—Oscar B. Colquitt, of Texas, to be a member of the Board of Mediation.

April 16—John M. Morin, of Pennsylvania, to be a member of the United States Employees' Compensation Commission.

April 18—A. Lee Wyman, of South Dakota, to be U. S. district judge, district of South Dakota.

April 18—J. Lyles Glenn, of South Carolina, to be U. S. district judge for the eastern and western district of South Carolina.

April 18—John M. Woolsey, of New York, to be U. S. district judge, southern district of New York.

April 18—Francis G. Caffey, of New York, to be U. S. district judge, southern district of New York.

April 18—Clarence S. Galston, of New York, to be U. S. district judge, eastern district of New York.

April 18—Alfred C. Coxe, of New York, to be U. S. district judge, southern district of New York.

April 18—Orie L. Phillips, of New Mexico, to be U. S. circuit judge, tenth circuit.

April 18—George T. McDermott, of Kansas, to be U. S. circuit judge, tenth circuit.

April 18—Curtis D. Wilbur, of California, to be U. S. circuit judge, ninth circuit.

April 18—Archibald K. Gardner, of South Dakota, to be U. S. circuit judge, eighth circuit.

April 18—Alfred A. Wheat, of New York, to be a justice of the Supreme Court of the District of Columbia.

JUDICIAL DEPARTMENT

The Month in the Supreme Court

April 8 to April 29

For the period from April 8 to April 29, inclusive, the Supreme Court disposed of a number of minor cases and handed down one decision of far-reaching effect. This was the case in which the authority of a duly authorized Committee of the United States Senate to compel witnesses to testify, was upheld. At the close of the session on April 29, a recess was taken until May 13.

Senate Committee's Right to Compel Testimony Upheld.

The Case—No. 555, Harry F. Sinclair vs. The United States of America. On certificate from the Court of Appeals of the District of Columbia.

The Decision—The Supreme Court upheld the conviction of the appellant by the Supreme Court of the District of Columbia (on appeal from the trial court of the District of Columbia) of contempt of the U. S. Senate by refusing to answer question propounded to him by the Senate Committee on Public Lands, a properly constituted Committee of the Senate. The conviction carried a penalty of three months in jail and a fine of $500.00, which was also upheld.

The Opinion—Mr. Justice Butler delivered the opinion of the Court on April 8, which was, in part, as follows:

Appellant was found guilty of violating R. S. section 102, S. C., Tit. 2, section 192. He was sentenced to jail for three months and to pay a fine of $500. The case was taken to the Court of Appeals of the District of Columbia; that court certified to this court certain questions of law upon which it desired instruction for the proper decision of the case. We directed the entire record to be sent up.

Section 102 follows: "Every person who having been summoned as a witness by the authority of either House of Congress to give testimony or to produce papers upon any matter under inquiry before either House, or any committee of either House of Congress, willfully makes default, or who, having appeared, refuses to answer any question pertinent to the question under inquiry, shall be deemed guilty of a misdemeanor, punishable by a fine of not more than $1,000 nor less than $100, and imprisonment in a common jail for not less than one month nor more than 12 months."

1.—The Committee on Public Lands and Surveys is one of the standing committees of the Senate. No question is raised as to the validity of its organization and existence.

Under Section 101 of the Revised Statutes, its chairman and any of its members are empowered to administer oaths to witnesses before it. Section 102 plainly extends to a case where a person voluntarily appears as a witness without being summoned as well as to the case of one required to attend.

By our opinion in McGrain v. Daugherty, 273 U. S. 135, 173, decided since the indictment now before us was found, two propositions are definitely laid down:

"One, that the two houses of Congress, in their separate relations, possess not only such powers as are expressly granted to them by the Constitution, but such auxiliary powers as are necessary and appropriate to make the express powers effective; and, the other, that neither house is invested with 'general' power to inquire into private affairs and compel disclosures, but only with such limited power of inquiry as is shown to exist when the rule of constitutional interpretation just stated is rightly applied."

And that case shows that, while the power of inquiry is an essential and appropriate auxiliary to the legislative function, it must be exerted with due regard for the rights of witnesses, and that a witness rightfully may refuse to answer where the bounds of the power are exceeded or where the questions asked are not pertinent to the matter under inquiry.

It has always been recognized in this country, and it is well to remember, that few if any of the rights of the people guarded by fundamental law are of greater importance to their happiness and safety than the right to be exempt from all unauthorized, arbitrary or unreasonable inquiries and disclosures in respect of their personal and private affairs. In order to illustrate the purpose of the courts well to uphold the right of privacy, we quote from some of their decisions.

In Kilburn v. Thompson, 103 U. S. 168, this court speaking through Mr. Justice Miller, said:

"We are sure that no person can be punished for contumacy as a witness before either house, unless his testimony is required in a matter into which that house has jurisdiction to inquire, and we feel equally sure that neither of these bodies possesses the general power of making inquiry into the private affairs of the citizen."

And referring to the failure of the authorizing resolution there under consideration to state the purpose of the inquiry:

"Was it to be simply a fruitless investigation into the personal affairs of individuals? If so, the House of Representatives had no power or authority in the matter more than any other equal number of gentlemen interested for the government of their country. By 'fruitless' we mean that it could result in no valid legislation on the subject to which the inquiry referred."

In Re Pacific Railway Commission (Circuit Court, N. D., California), Mr. Justice Field, announcing the opinion of the court said:

"Of all the rights of the citizen, few are of greater importance or more essential to his peace and happiness than the right of personal security, and that involves, not merely protection of his person from assault, but exemption of his private affairs, books, and papers from the inspection and scrutiny of others. Without the enjoyment of this right, all other rights would lose half their value."

And the learned Justice, referring to Kilbourn v. Thompson, supra, said:

"This case will stand for all time as a bulwark against the invasion of the right of the citizen to protection in his private affairs against the unlimited scrutiny of investigation by a congressional committee."

In Interstate Commerce Commission v. Brimson, Mr. Justice Harlan, speaking for the court said: "We do not overlook these constitutional limitations which, for the protection of personal rights, must necessarily attend all investigations conducted under the authority of Congress. Neither branch of the legislative department, still less and merely administrative body, established by Congress, possesses, or can be invested with, a general power of making inquiry into the private affairs of the citizen . . . We said in Boyd v. United States,—and it cannot be too often repeated,—that the principles that embody the essence of constitutional liberty and security forbid all invasions on the part of the Government and its employes of the sanctity of a man's home and the privacies of his life."

In Federal Trade Commission v. American Tobacco Co., this court said: "Anyone who respects the spirit as well as the letter of the Fourth Amendment would be loathe to believe that Congress intended to authorize one of its subordinate agencies to sweep all our traditions into the fire (Interstate Commerce Commission v. Brimson), and to direct fishing expeditions into private papers on the possibility that they may disclose evidence of crime. We do not discuss the question whether it could do so if it tried, as nothing short of the most explicit language would induce us to attribute to Congress that intent . . . It is contrary to the first principle of justice to allow a search through all the respondents' record, relevant or irrelevant, in the hope that something will turn up."

2. But it is clear that neither the investigation authorized by the Senate resolutions above mentioned nor the question under consideration related merely to appelant's private or personal affairs. Under the Constitution (Article IV, Section 3) Congress has plenary power to dispose of and to make all needful rules and regulations respecting the naval oil reserves, other public lands and property of the United States. And undoubtedly the Senate had power to delegate authority to its committee to investigate and report what had been and was being done by executive departments under the Leasing Act, the Naval Oil Reserve Act, and the President's order in respect of the reserves and to make any other inquiry concerning the public domain.

While appellant caused the Mammoth Oil Company to be organized and owned, all its shares, the transaction purporting to lease to it the lands within the reserve cannot be said to be merely or principally the personal or private affair of appellant. It was a matter of concern to the United States. The title to valuable Government lands was involved. The validity of the lease and the means by which it had been obtained under existing laws were subjects that properly might be investigated in order to determine what if any legislation was necessary or desirable in order to recover the leased lands or to safeguard other parts of the public domain.

Neither Senate Joint Resolution 54 nor the action taken under it operated to divest the Senate or the committee of power further to investigate the actual administration of the land laws. It may be conceded that Congress is without authority to compel disclosures for the purpose of aiding the prosecution of pending suits; but the authority of that body, directly or through its committees, to require pertinent disclosures in aid of its own constitutional power is not abridged because the information sought to be elicited may also be of use in such suits.

The record does not sustain appellant's contention that the investigation was avowedly not in aid of legislation. He relies on the refusal of the committee to pass the motion directing that the inquiry should not relate to controversies pending in court and the statement of one of the members that there was nothing else to examine appellant about. But these are not enough to show that the committee intended to depart from the purpose to ascertain whether additional legislation might be advisable. It is plain that investigation of the matters involved in suits brought or to be commenced under Senate Joint Resolution 54 might directly aid in respect of legislative action.

3. There is not merit in appellant's contention that a verdict should have been directed for him because the evidence failed to show that the committee was authorized to make the inquiry, summon witnesses and administer oaths. Resolutions 282 and 294 were sufficient until the expiration of the Sixty-seventh Congress, during which they were adopted, but it is argued that Resolution 434 was not effective to extend the power of the committee. As set out in the indictment and shown by the record, Resolution 434 does not mention 294 or refer to the date of its adoption.

The former so far as material follows: "Resolved, That Senate Resolution 282, agreed to April 21, 1922, and Senate Resolution 292, agreed to May 15, 1922, authorizing and directing the committee on Public Lands and Surveys to investigate the entire subject of leases upon naval oil reserves, with particular reference to the protection of the rights and equities of the Government of the United States and the preservation of its natural resources, and to report its findings and recommendations to the Senate . . . . be . . . . continued in full force and effect until the end of the Sixty-eighth Congress. The committee . . . is authorized to sit . . . after the expiration of the present Congress until the assembling of the Sixty-eighth Congress and until otherwise ordered by the Senate."

There is enough in that resolution to show that where "292" appears 294 was meant. The subject of the investigation is specifically mentioned. That is the only matter dealt with. The sole purpose was to authorize the Committee to carry on the inquiry. It would be quite unreasonable, if not indeed absurd, for the Senate to direct investigation by the committee and to allow its power to summon and swear witnesses to lapse. The context and circumstances show that Resolution 294 was intended to be kept in force.

4. Appellant earnestly maintains that the question was

not shown to be pertinent to any inquiry the committee was authorized to make. The United States suggests that the presumption of regularity is sufficient without proof. But, without determining whether that presumption is applicable to such a matter, is it enough to say that the stronger presumption of innocence attended the accused at the trial? It was therefore incumbent upon the United States to plead and show that the question pertained to some matter under investigation. Appellant makes no claim that the evidence was not sufficient to establish the innuendo alleged in respect of the question; the record discloses that the proof on that point was ample.

Before the hearing at which appellant refused to answer, the committee had discovered and reported facts tending to warrant the passage of Senate Joint Resolution 54 and the institution of suits for the cancellation of the naval oil reserve leases. Undoubtedly it had authority further to investigate concerning the validity of such leases, and to discover whether persons, other than those who had been made defendants in the suit against the Mammoth Oil Company, had or might assert a right or claim in respect of the lands covered by the lease to that company.

Moreover, it was pertinent for the Senate to ascertain the practical effect of recent changes that had been made in the laws relating to oil and other mineral lands in the public domain. The leases and contracts charged to have been unauthorized and fraudulent were made soon after the executive order of May 31, 1921.

The title to the land in the reserves could not be cleared without ascertaining whether there were outstanding any claims or applications for permits, leases or patents under the Leasing Act or other laws. It was necessary for the Government to take into account the rights, if any there were, of such claimants.

The reference in the testimony of Bonfils to the contract referred to in the question propounded was sufficient to put the committee on inquiry concerning outstanding claims possibly adverse and superior to the Mammoth Oil Company's lease. The question propounded was within the authorization of the committee and the legitimate scope of investigation to enable the Senate to determine whether the powers granted to or assumed by the Secretary of the Interior and the Secretary of the Navy should be withdrawn, limited, or allowed to remain unchanged.

5. The question of pertinency under Section 102 was rightly decided by the court as one of law. That question may be likened to those concerning relevancy at the trial of issues in court, and it is not essentially different from the question as to materiality of false testimony charged as perjury in prosecution for that crime.

Upon reason so well known that their repetition is unnecessary it is uniformly held that relevancy is a question of law.

The reasons for holding relevancy and materiality to be questions of law in such cases as those above referred to apply with equal force to the determination of pertinency arising under Section 102. The matter for determination in this case was whether the facts called for by the question were so related to the subjects covered by the Senate's resolutions that such facts reasonably could be said to be "pertinent to the question under inquiry."

It would be incongruous and contrary to well-established principles to leave the determination of such a matter to a jury.

6. There is no merit in appellant's contention that he is entitled to a new trial because the court excluded evidence that in refusing to answer he acted in good faith on the advice of competent counsel. The gist of the offense is refusal to answer pertinent questions. No moral turpitude is involved.

International violation is sufficient to constitute guilt. There was no misapprehension as to what was called for. The refusal to answer was deliberate.

The facts sought were pertinent as a matter of law, and Section 102 made it appellant's duty to answer. He was bound rightly to construe the statute. His mistaken view of the law is no defense.

7. The conviction on the first count must be affirmed. There were ten counts, demurrer was sustained as to four, nolle prosequi was entered in respect of two, and conviction was had on the first, fourth, fifth and ninth counts. As the sentence does not exceed the maximum authorized as punishment for the offense charged in the first count, we need not consider any other count.

Judgment affirmed.

Action Taken by Congress

Continued from page 156

Friday, April 19, 1929

Senate:

The Senate was not in session.

House:

Several Representatives-elect were sworn in.

Agreed to H. Res. 26, electing Representative Harry C. Canfield, Ind., D., a member of the Ways and Means Committee of the House of Representatives.

Representative Garner, Tex., D., spoke on the Ways and Means Committee and the formulation of the tariff bill. He charged that information regarding tariff schedules had "leaked" from the Committee and had reached the "special interests."

Continued general debate on H. R. 1, the Farm Relief Bill.

Representative Larsen, Ga., D.; Dickinson, Iowa, R.; Brigham, Vt., R.; Nelson, Mo., D.; McKeown, Okla., D., and others spoke on the bill.

Adjourned.

Saturday, April 20, 1929

Senate:

The Senate was not in session.

House:

Several members were sworn in.

Passed H. R. 1412, appropriating $38,000 for mileage and other miscellaneous expenses of the extra session.

Resumed consideration of H. R. 1, the Farm Relief Bill.

Representatives Clarke, N. Y., R., Hull, Ill., R., Ketcham, Mich., R., Frear, Wis., R., Anderson, Minn., R., and others spoke on the bill.

Adjourned until Monday, April 22, 1929.

Sources from which Material in this Number is Taken

Articles for which no source is given have been specially prepared for this number of THE CONGRESSIONAL DIGEST

1—Congressional Record, April 23, 1929.
2—Congressional Record, April 19, 1929.
3—Statement accompanying President Hoover's letter to Senator McNary on April 20, 1929.
4—Hearings, House Committee on Agriculture, February 10, 1929.

The Congressional Digest

The Pro and Con Monthly

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